

**MOVING FROM UNEMPLOYMENT CHECKS TO  
PAYCHECKS: ASSESSING THE PRESIDENT'S  
PROPOSALS TO HELP THE  
LONG-TERM UNEMPLOYED**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON HUMAN RESOURCES  
OF THE  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED TWELFTH CONGRESS  
FIRST SESSION

OCTOBER 6, 2011

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# CONTENTS

Advisory of October 6, 2011 announcing the hearing .....	Page 2
WITNESSES	
<b>PANEL 1:</b>	
The Honorable Ron Wyden, Senator from the State of Oregon .....	6
The Honorable Jim Renacci, Representative from the State of Ohio .....	12
The Honorable Hansen Clarke, Representative from the State of Michigan ..	15
<b>PANEL 2:</b>	
The Honorable Jane Oates, Assistant Secretary, Employment and Training Administration, U.S. Department of Labor .....	16
<b>PANEL 3:</b>	
Maren Daley Executive Director, Job Service North Dakota .....	52
Dawn Deane, Unemployed Worker .....	61
Don Peitersen, Director of Unemployment/Workforce Project, American In- stitute for Full Employment .....	66
Chris McConnell, Workforce Consultant, AlliedBarton Security Services .....	82
SUBMISSIONS FOR THE RECORD	
Aaron Benjamin, Statement .....	136
American 99ers Union, Statement .....	142
TrueBlue, Statement .....	145
QUESTIONS FOR THE RECORD	
The Honorable Geoff Davis .....	90
The Honorable Rick Berg .....	113
The Honorable Tom Reed .....	119
The Honorable Llyod Doggett .....	126





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**THURSDAY, OCTOBER 6, 2011**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON HUMAN RESOURCES,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:03 a.m. in Room B-318, Rayburn House Office Building, the Honorable Geoff Davis [Chairman of the Subcommittee] presiding.

[The advisory announcing the hearing follows:]

# ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

## **Chairman Davis Announces Hearing on Moving from Unemployment Checks to Paychecks: Assessing the President's Proposals to Help the Long-Term Unemployment**

October 06, 2011

Congressman Geoff Davis (R-KY), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing reviewing unemployment benefit proposals in the President's latest jobs plan and assessing whether they will help the long-term unemployed return to work. **The hearing will take place on Thursday, October 6, 2011, in Room B-318 Rayburn House Office Building, beginning at 9:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include a representative of the U.S. Department of Labor (DoL) as well as other public and private sector experts on unemployment benefits and employment security policies designed to promote reemployment. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

### **BACKGROUND:**

In August 2011 (the most recent official data), the U.S. unemployment rate was 9.1 percent, 14.0 million individuals were unemployed, the average duration of unemployment was a record high of over 40 weeks, and 6.0 million individuals were long-term unemployed—defined as unemployed for 27 weeks or longer.

The Federal-State unemployment compensation program created by the Social Security Act of 1935 assists unemployed individuals by offering weekly unemployment benefit checks while they search for work. According to DoL, in order to be eligible for benefits jobless workers must have a history of attachment to the workforce and must be able and available for work.

As a result of a series of Federal extended benefit laws enacted since 2008 that now provide up to 73 weeks of Federal benefits, the maximum number of weeks of unemployment benefits payable per person has grown to a record 99 weeks, which is currently available in 21 States with especially high unemployment rates. Since mid-2008, \$180 billion in Federal extended unemployment benefits have been paid, with most supported by Federal general revenues.

As weeks of unemployment benefits and total spending have grown, so have total payments made in error. According to DoL, improper payments of unemployment benefits reached record highs in 2010, with \$17.2 billion paid in error, equal to 11.2% of all payments.

On September 8, 2011, the President announced his most recent plan to assist the long-term unemployed in returning to work. This plan would extend the availability of up to 99 weeks of total unemployment benefits through CY 2012, at an estimated cost of \$44 billion. Also within the Subcommittee's jurisdiction, the President's plan proposes providing an additional \$10 billion in one-time Federal funds to States to promote various return-to-work efforts, including wage subsidies, subsidies for employer training of UI recipients (along the lines of the "Georgia Works" program), work sharing, wage insurance, and reemployment assessments, among other of what the Administration terms "promising strategies."

In announcing the hearing, Chairman Davis said, **"This hearing will review a number of measures the President recently proposed to assist especially the long-term unemployed in returning to work. I hope we can build on our previous findings on the importance of better engaging the unemployed**

**and providing States more flexibility in assisting them. I look forward to identifying possible common ground when it comes to helping more long-term unemployed beneficiaries return to work, and doing so in a fiscally responsible manner."**

#### **FOCUS OF THE HEARING:**

The hearing will focus on a review of the President's recent proposals designed to help long-term unemployed individuals return to work.

#### **DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

**Please Note:** Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "*Click here to provide a submission for the record.*" Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, October 20, 2011.** Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721 or (202) 225-3625.

#### **FORMATTING REQUIREMENTS:**

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://www.waysandmeans.house.gov/>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

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Chairman DAVIS. Good morning. Thank you all for joining us today. Today's hearing is on the President's proposals to help the long-term unemployed get back to work, which are part of his latest jobs plan.

There is certainly bipartisan agreement on that goal of getting people back to work, but we need to do a better job helping all of the unemployed return to work, because today's short-term unem-

ployed workers risk becoming tomorrow's long-term unemployed. For example, one of America's 14 million unemployed workers, Ms. Dawn Deane, will testify shortly about her experience since being laid off in June. She's not "long-term unemployed," but why should we wait until she reaches that stage before she gets effective help in getting back to work?

Yet that's largely what the President's latest plan proposes, starting with its call to extend unemployment benefits for up to 99 weeks for another year. That has a familiar ring, because this would be the tenth extension since mid-2008. That's left a long track record of assessing whether extending unemployment benefits will create jobs, as some have claimed.

For instance, then-Speaker Nancy Pelosi last year said that extending unemployment benefits is "one of the biggest stimuluses [sic] to our economy. . . . It creates jobs faster than almost any other initiative that you can name." But in reality, since federal extended benefits began, the unemployment rate rose from 5.6 to 9.1 percent, and over 6 million jobs disappeared.

Federal benefits have already added \$180 billion to the deficit, and today we are being asked by the President to spend another \$50 billion next year. Other proposals in this plan have a familiar ring, too. For example, like provisions in the Democrats' 2009 stimulus law, the President's latest plan proposes more temporary federal funds if states adopt UI policies dozens of states already support. If these programs have merit, and many states already use them, why must the Federal Government again spend billions of dollars for other states to adopt them, too?

There is no free lunch here. The Administration has proposed new taxes on job creators to pay for this new spending, but Senate Democrats have already rejected some of those. Meanwhile, the Administration's budget, which was unanimously rejected in the other body, called for nearly \$60 billion in permanently higher unemployment taxes on jobs in the coming decade. It is hard to see how permanently higher taxes on jobs will help the unemployed get back to work.

The President's plan is noteworthy for steps it does not take, such as providing states more flexibility over UI funds, so fewer people become long-term unemployed. This committee approved such UI waiver authority to the states earlier this year. Just last week, President Obama signed into law a bill cosponsored by my friend Mr. Doggett, among others, to provide states waiver authority in child welfare programs. I had the privilege of being in the Oval Office last Friday to see that bill enacted into law. And that shows that we can make progress from a bipartisan perspective, focusing on the process and the real economics and opportunities to help people move forward.

If states can be trusted to design better programs for children at risk of abuse and neglect, can't they be trusted to test ways to better help the unemployed get back to work, using their own state funds?

Other important reforms are missing, too, like strengthening work search and better engaging unemployed workers in training—reforms that were needed even before the recession. The good news is these sources of improvements to help all unemployed workers

can and should be included in any legislation enacted this year to help the unemployed return to work.

I look forward to working with my colleagues and the Administration to that end, and welcome all of our witnesses today to discuss how we can craft the most effective policies to do just that.

Without objection, each Member will have the opportunity to submit a written statement and have it included in the record at this point. And I would like to yield now to my friend, Lloyd Doggett.

Do you care to make an opening statement?

Mr. DOGGETT. Thank you very much, Mr. Chairman. This is an opportunity to review the proposals of the President to assist the unemployed find work, and to listen to the creative recommendations of our colleagues.

Today in America the problem that we face is not the unemployed, but unemployment. Too many Americans remain unemployed because of lack of work, not for their lack of wanting to work. We must stop the blame-the-victim approach of just blaming unemployment on the unemployed. Thus far this year we have yet to vote in the House on a single meaningful jobs bill. And threats of default on our debt and threats to shut down the government only set back our economic recovery and cost us more jobs.

There is a great difference in this country between what happens to some unemployed citizens. Those at the top of the economic ladder don't need to worry about unemployment insurance. Last month the executive at Hewlett Packard, HP, got a \$13 million golden parachute after he was dismissed when his company's stock price fell by half. But for the rest of America, and particularly the working-age poor, of whom we have more than at any time in about 50 years, things are considerably different.

As luxury goods fly off the shelves at some specialty stores, Wal-Mart has reduced the size of its toilet tissue rolls because so many people can't afford to buy the old size. When folks lose a job through no fault of their own, the least we ought to do is extend a life line.

In examining the provisions of the President's Americans Job Act relating to unemployment, there are several new initiatives that merit our study. If Congress fails to act by December 31st on extending Federal unemployment insurance benefits, more than 2 million people will lose their unemployment assistance by the middle of February. And throughout next year, a total of six million Americans will be without assistance.

The President's proposal is a good place to start in addressing this problem. This doesn't mean I think that every aspect of his proposal has the right answers, or that he even has the best answers on all aspects of this problem. But I especially emphasize the need to extend Federal unemployment assistance at this time of continued economic downturn. Terminating unemployment assistance would hurt our nation's economy by further suppressing consumer demand and confidence.

The Economic Policy Institute has estimated that allowing the extended Federal unemployment program to expire would cost this country over half-a-million jobs. This amounts to a double whammy

for the unemployed. They lose their benefits, and jobs become even more difficult to find.

And there is near unanimity among economists that few government expenditures have more positive stimulative effect. It's true, it doesn't solve all the jobless problem in the country. But economists of all political stripes agree that one of the best ways to stimulate the economy is to make payments to those who have no choice but to spend those dollars immediately on the necessities of life.

But things could get even worse for the unemployed if the proposal before the House Appropriations Committee to cut job training and unemployment services by 75 percent is effective.

Finally, while there is much ballyhooing about the so-called Texas Miracle, the unemployment rate in my state, 8.5 percent, stands higher today than at any time in the last quarter of a century. Our state is also a good example of what happens when ideological constraints and political imperatives produce decisions that harm both employers and employees.

Let's hope that this hearing is just the first step in forging a stronger consensus that we must not abandon the millions of our neighbors who depend on unemployment insurance to make ends meet until they can be successful in securing a new job. Let's work together to move our economy forward, and increase the opportunity for folks looking for work to find it. Thank you, Mr. Chairman.

Chairman DAVIS. Thank you, Mr. Doggett. Before we move on to our testimony, I would like to remind our witnesses that all oral statements need to be limited to five minutes. And, however, without objection all of the written testimony will be made part of the permanent record.

On our panel today we will be hearing from several of our distinguished colleagues. First will be the Honorable Ron Wyden, Senator from Oregon. Welcome to the panel. The Honorable James Renacci of Ohio, accompanied by the Honorable Hansen Clarke of Michigan. Thank you all for joining us today.

Senator Wyden, please proceed with your remarks.

**STATEMENT OF THE HONORABLE RON WYDEN, A UNITED STATES SENATOR FROM THE STATE OF OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman, and it is a pleasure to be with you and Congressman Doggett. I had a chance to serve in the House of Representatives. It is good to be back. And let me first of all say I am going to spare you the filibuster this morning. And if I could just make my prepared remarks a part of the record, perhaps just kind of summarize a few thoughts.

Chairman DAVIS. Without objection.

Senator WYDEN. Thank you, Mr. Chairman. I particularly appreciate the way you, Mr. Chairman, and others are looking at trying to find a bipartisan way to make some changes in the unemployment system to provide more opportunities for our workers, folks that are hurting, to get ahead.

And what I want to do is just start this brief discussion with my belief that this isn't our grandparents' job market. I think we all

understand that we saw our grandparents and our parents very often get caught up in the typical business cycle caused by bad weather, or an increase in the price of raw materials, something like that. They would be unemployed for a few months, six, eight months, but their jobs would come back.

We know today that a lot of lost jobs aren't coming back, and we have to start with that basic understanding. And so, I come to offer the theory that, in a bipartisan way, we could start with the proposition that a significant number of folks who are unemployed are essentially treading water in the unemployment system with no way of getting ahead. And these are folks who now have one of two choices.

They've got these two choices, which aren't particularly good for them, and they aren't particularly good for taxpayers. They can take their unemployment check and keep looking for jobs that no longer exist or they can take their unemployment check and go into a training program that is not as valuable as the knowledge in their head and the work ethic in their body.

So, what I would like to suggest is that, on a bipartisan basis, we look at the idea of reforming the unemployment system to give those who are qualified to do so the opportunity to get off the treadmill. We should let them use the marketable skills that they have often picked up in decades of employment in the private sector, to become self-employed in the private sector, where they're going to be paying taxes and often putting others to work.

Now, I want colleagues to know that I don't think this is for everybody. I am not suggesting you can be unemployed and just walk into the UI office and say, "I am going to go set up a biotech company," or something of that nature. But if you look around the country at what we've done in the last 15 years with these programs on a small scale—and I authored federal SEA law in the 1980s—we see people setting up welding shops, we see folks doing innovative work in wood products, in technology in a variety of areas.

Recently, two unemployed fellows in my home town of Portland started a technology company, "Urban Airship," and they are doing pioneering work with new mobile apps. And they have got people all over the country interested in their mobile applications. So, these jobs can pay good wages, and turn folks into entrepreneurs.

And I will close with this, Mr. Chairman. A study by the Department of Labor found that self-employment participants were 19 times more likely than eligible non-participants to be self-employed at some point after being unemployed. And even more importantly, they were four times more likely to obtain employment of any kind, any kind whatsoever. And the average cost of these jobs was \$3,350.

So, we can continue to go back and forth, Democrats and Republicans, punching on each other about the idea of job creation that costs many, many times that level, or we can find a way, in a bipartisan fashion, to do it. What we have done in this legislation is put in what I think are realistic limits. A state can only give about one percent of its UI recipients the opportunity to take part in self-employment assistance with a limitation of the number of weeks of benefits.

And I just appreciate the tone that you are setting, Mr. Chairman and Congressman Doggett has worked, through your joint bipartisan work on the child welfare bill that was signed recently.

And let me break the speechifying off here, and just know that I would be very much interested in being part of this bipartisan approach you all are trying to cultivate.

[The prepared statement of Senator Wyden follows:]



Statement for the Record  
 Senator Ron Wyden  
 Ways and Means, Human Resources Subcommittee  
 Hearing on Benefits for the Long-Term Unemployed  
 October 6, 2011

Thank you Chairman Davis and Ranking Member Doggett for holding this hearing on benefits for the long-term unemployed. In too many cases, the current unemployment assistance programs allow the experience and expertise of America's unemployed workers to sit on the sidelines. I'm here today to describe an alternative approach that gives the unemployed the ability to start their own businesses and get in the game—self-employment assistance (SEA). In Oregon, we've got this program up and running and think other states should be encouraged to do the same. By failing to take advantage of self-employment assistance, we're missing an opportunity to not only help currently unemployed workers but also to help our economy grow and create more jobs. I know this program works—its record in Oregon is strong and can be found in letters and testimony from individuals who have used the program.

Take, for example, Paul Clements. Mr. Clements had worked as the Quality Manager at Lumina Pacific Corp's laminated veneer mill in Burns, Oregon for 16 years when the mill was forced to shut its doors in 2007. This was and still is a financial challenge for the community, and the closest work in his field of expertise was 500 miles away. It was a near impossibility to move in a market where families could not sell their homes. To make the equation more of a challenge, Mr. Clements was told that in order to receive unemployment, he had to either look for work or enroll in school. "At the age of 51 and two degrees already under my belt I decided not to explore the education route," said Mr. Clements. And through the use of SEA benefits, he was successfully able to use his experience to start his own business producing full color banners, signs, and printing and graphics projects. Speaking about his experience, Mr. Clements said, "starting a business in this economy has been a challenge, but the right choice. I have made the two year bench mark and still swimming above water thanks to the community that has supported my business venture."

It is critical that we continue to allow unemployed workers to receive the emergency benefits that have been available throughout the economic downturn. To discontinue benefits now and create a cliff would force both consumer spending and consumer confidence to decline, creating only more problems. More homes would go into foreclosure. More debt would go unpaid. And any progress we make towards economic recovery could come to a blaring halt.

Nearly every economist, not to mention the Congressional Budget Office, has told us that unemployment benefits have one of the biggest bangs for the buck when it comes to improving the economy.

But we should be thinking more creatively about how to use unemployment benefits to create jobs through entrepreneurship. We talk often about the benefits of small businesses in this country, yet our unemployment insurance programs actually prevent aspiring entrepreneurs from putting their ideas to work. Under the unemployment insurance systems in most states, if you stop looking for a job or you turn down a job, you lose your unemployment benefit even if

you're working to start your own business. States with active self-employment assistance programs, like Oregon, allow a small percent of the unemployed to focus full time on starting their own business while drawing down their unemployment benefits in the form of self-employment assistance. Anyone who has started a new business knows that getting it off the ground is a full time job in and of itself, and allowing would-be UI recipients to focus full-time on their new business vastly increases their likelihood of success. Rather than rely on others to create jobs for them, self-employment assistance allows determined entrepreneurs to create jobs for themselves and others.

The President's proposal is a step in the right direction; it allows states to quickly enter into an agreement with the Department of Labor and allow the long-term unemployed, those on extended unemployment compensation, to draw down their UI benefits in the form of self-employment assistance. However, this does little to encourage states to make self-employment assistance a part of their permanent strategy. We must be more far-sighted. We ought to provide states with a little assistance so that they can start self-employment programs of their own—not just for periods of extended unemployment compensation.

I want to be clear: this is no giveaway. In order to get this benefit, unemployed workers have to meet the same wage and hour requirements as they would to receive UI and they must prove they have a viable business plan. The beneficiaries of self-employment assistance really have something to offer—they have solid work experience and solid ideas; and put into action, that combination can snowball into a successful business with multiple employees.

There are 2.5 million micro businesses in the US, representing 88 percent of all businesses. They generate \$2.4 trillion in receipts, account for 17 percent of GDP, and employ more than 13 million people. If one out of every three of these businesses hired just one additional employee, the US economy would achieve full employment. Expanding self-employment assistance helps us get there.

A study by the Department of Labor found that self-employment participants were 19 times more likely than eligible non-participants to be self-employed at some point after being unemployed. Moreover, they were four times more likely to obtain employment of any kind. The average cost to create each of those jobs is \$3,350. According to estimates from Princeton economist and former Federal Reserve Board Vice Chairman Alan Blinder, it takes about \$93,000 worth of garden-variety fiscal stimulus to create an average job. Job creation through SEA is an incredible bargain.

This program has been creating jobs and businesses in Oregon for nearly two decades. Earlier this year, Pat Sandlin—who coordinates Oregon's program—conducted an informal "census" of enrollees since 2004. He found that 77 percent of businesses started by SEA beneficiaries are still up and running. And according to Mr. Sanderlin, the companies' combined annual payroll totals \$7,888,210.

Despite widespread support for self-employment and entrepreneurial programs, only a handful of states offer SEA, and those that do take advantage of it typically administer benefits to a small share of the unemployed. Only about 2,400 Oregonians have used the program since its inception

in 1995. Though states currently have the option of taking advantage of self-employment assistance, the administrative costs to start a new program often prevent them from doing so. And because federal law prevents self-employment benefits from being paid out while an individual is in a period of extended unemployment, the long-term unemployed cannot take advantage of the program.

My legislation encourages states to utilize self-employment assistance by:

- 1) Allowing the long-term unemployed who remain eligible for regular or extended unemployment benefits to draw down those benefits in the form of self-employment assistance;
- 2) Providing technical assistance and model language from the Department of Labor for states that create new self-employment programs; and
- 3) Providing financial assistance to aid states in establishing, implementing, improving and/or administering self-employment programs.

Self-employment benefits can serve as a guaranteed source of startup capital for businesses. And unlike traditional unemployment insurance, workers who successfully exit this program by starting their own business can create more new jobs as business expands. When unemployment is high and workers face extended periods of joblessness, this is exactly the type of program we should embrace.

Again, I appreciate the chance to testify today and would welcome the opportunity to work together to promote entrepreneurialism and small business development.



Chairman DAVIS. Thank you, Senator Wyden. Much of what you mentioned fits the spirit of legislation that we worked on back in the spring regarding issues like this. And we will look forward to continuing that dialogue. Thank you very much.

Congressmen Renacci and Clarke.

**STATEMENT OF THE HONORABLE JAMES B. RENACCI, A  
REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO**

Mr. RENACCI. Good morning, Mr. Chairman, Mr. Doggett, and Members of the Subcommittee. I would like to thank you for hosting today's hearing on moving from unemployment checks to paychecks, and for inviting me to testify. It is my hope that today's hearing will provide the subcommittee with actionable information for getting our nations' unemployed back to work.

The dire unemployment situation currently gripping the United States has been an inescapable reality for several years. Unemployment data for the month of August showed zero jobs added and a sustained unemployment rate of over nine percent. The next report on job creation—or, unfortunately, the lack thereof—is due on October 7th. But there is little reason for optimism.

However, the tools we need to overcome the economic downturn are already at our disposal, the most valuable of which is unemployment insurance. Significant employment opportunities can be created by allowing the states to leverage unemployment insurance into job creation. There is no silver bullet to returning America back to work. But creating an incentive for both employers and job seekers through unemployment insurance is an important first step.

I have introduced a bill with bipartisan support entitled, "Employ Act," H.R. 2137, that would create this dual incentive. The unemployment benefit to the business—the Employ Act would allow states to develop an optional program for providing a percentage of the unemployment benefit to a business willing to hire an individual at a rate higher than the normal benefit amount.

The purpose of this program is simple: provide businesses with an incentive to hire through reduced risk, provide individuals with an incentive to work through increased pay, and reduce cost to the government by paying only a percentage of the unemployment benefit to the eligible businesses. As stated, the Employ Act is not a panacea for the joblessness crisis the United States is currently facing. But it is a crucial step in the right direction.

I again thank the subcommittee for inviting me to testify here today, and I look forward to answering any questions you may have. I also look forward to hearing the ideas presented by my colleagues here today.

[The prepared statement of Mr. Renacci follows:]

**Statement for the Record: Congressman James B. Renacci**  
**Ways and Means Subcommittee on Human Resources**  
**Hearing on Moving from Unemployment Checks to Paychecks: Assessing the**  
**President's Proposals to Help the Long-Term Unemployed**  
**October 6, 2011**

Good morning Mr. Chairman, Mr. Doggett, and members of the subcommittee. I'd like to thank you for hosting today's hearing on "Moving from Unemployment Checks to Paychecks," and for inviting me to testify. It is my hope that today's hearing will provide the subcommittee with actionable information for getting our nation's unemployed back to work.

The dire unemployment situation currently gripping the United States has been an inescapable reality for several years. Unemployment data for the month of August showed zero jobs added and a sustained unemployment rate of over 9%. The next report on job creation, or unfortunately, the lack thereof, is due on October 7<sup>th</sup>, but there is little reason for optimism. What we've been doing is not working. The government's empty coffers make creative solutions, not risky stimulus packages, the only way to address the crisis. Luckily, the tools we need to overcome our economic downturn are already at our disposal, the most valuable of which is Unemployment Insurance. Significant employment opportunities can be created by allowing the states to leverage unemployment insurance into job creation.

In the past, unemployment insurance has provided a valuable bridge for individuals between jobs. Unfortunately, two major changes have dramatically altered the unemployment system's function. First, uncertain economic conditions have diminished business' willingness to risk new employment. Second, the length of compensation eligibility has turned from a bridge between jobs into an excuse to put off that job search for just one more week. That week turns into 20 or 30 or 40 or even 90 more. In order for any job creation agenda to be successful, both of these hurdles must be overcome. It is not enough to assist businesses in hedging the risks of expansion; our plan for a return to prosperity must also provide tangible motivation to a discouraged workforce.

There is no silver bullet to returning Americans to work, but creating an incentive for both employers and job seekers through unemployment insurance is an important first step. I have introduced a bill with bipartisan support entitled the EMPLOY Act, H.R. 2137, that would create this dual incentive. The EMPLOY Act would allow states to develop an optional program for providing a percentage of the unemployment benefit to a business willing to hire an individual at a rate higher than the normal benefit amount. The purpose of this program is simple: provide businesses with an incentive to hire through reduced risk, provide individuals with an incentive to work through increased pay, and reduce cost to the government by paying only a percentage of the unemployment benefit to the eligible businesses.

Similarities have been drawn between the EMPLOY Act and the Georgia Works Program endorsed recently by President Obama. While both programs leverage unemployment compensation to encourage job growth, the EMPLOY Act has the potential to create immediate long term employment, rather than simply providing job training. What's more, the Georgia Works program relies on increased spending, whereas the EMPLOY Act can actually reduce federal and state spending. This plan has been endorsed by a diverse group of interests from my district and nation-wide, including the Stark County Workforce Investment Board, The J.M. Smucker Company, Shearer's Foods, Inc., and Hire Just One.

It's important to note that the EMPLOY Act does not alter the currently-existing unemployment insurance system; it simply creates another option for those collecting the benefit to seek new

employment. The benefit still belongs to the individual. In fact, if an individual is terminated without fault from a business participating in the program, the individual can immediately resume collecting their typical unemployment benefit, minus the number of weeks they were employed through the program. Through these safeguards, risk is reduced for both the employer and the employee, encouraging significant private sector job growth.

As I stated, the EMPLOY Act is not a panacea for the joblessness crisis the United States is currently facing, but it is a crucial step in the right direction. I again thank the subcommittee for inviting me to testify here today and I look forward to answering any questions you may have. I also look forward to hearing the ideas presented by my colleagues here today.



Chairman DAVIS. Congressman Clarke.

**STATEMENT OF THE HONORABLE HANSEN CLARKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. CLARKE. Chairman Davis, Ranking Member Doggett, subcommittee members, my name is Hansen Clarke. I represent the metropolitan region in this country that has lost more jobs than any region over the last years: metropolitan Detroit.

People in metro Detroit, they need work. They are desperate for work. This Employ Act would provide the people that I represent a chance to get on-the-job training, but also an opportunity to get a job long-term. This is important, and I am going to be brief. When you put folks in metro Detroit back to work, even though our area has been so hard hit, economically, we have the best manufacturing know-how still. We have got a great trained workforce. When you put our folks in Detroit back to work, you put this country back to work. We can create more new advanced manufacturing jobs.

But I am not here just talking to you today as a Member of Congress representing Michigan's 13th District. I also want to share with you my experience during the last great recession that we had here in this country, during the 1980s. I was a young man in my early twenties. I had already lost my family, they had died by the time I was 19. I had no brothers and sisters. I had dropped out of college, I had been out for years. And I lost my income. I lost my food stamps, and then I gave up completely. I knew that there was no way I was going to be able to make it in life.

This is the tremendous tragedy right now with folks who are unemployed. I know that feeling. I can see it in their eyes. People in Detroit are tough, but they have given up. They don't think that they have a chance any more. This Employ Act gives people some confidence in themselves by putting them back to work, putting them in a work situation where they can work with a team, they can see that—the value that they have to a company, to themselves, and to this country.

The other reason why I wanted to be here today, I wanted to show this Congress and to show this country that a Republican like Jim, a Democrat like me, that we can work together, and we are committed to put our people back to work. This bill is not perfect, but nothing in this country is. But it is a clear statement: Here is a way that we can provide an incentive for employers to hire people who need money, but also need faith, faith in themselves and faith in what this country is all about, giving everyone an equal chance—not a guarantee, but a chance to pursue happiness, to actually live your life as fully as you can.

So, I really appreciate you giving us this opportunity. I want to let, again, this country know Democrats and Republicans are willing to work together to put you back to work. That is why Jim and I are here today. Thank you so much.

Chairman DAVIS. Thank you very much, Congressman Clarke. We appreciate your sentiments.

Does anybody have any questions for our colleagues on the panel?

[No response.]

Chairman DAVIS. I would like to thank Senator Wyden and Congressmen Renacci and Clarke for joining us today, sharing your insights. The one thing I also would like to do is extend the invitation to continue to work with all of you. We look forward to this dialogue as we move forward, and thank you very much.

That concludes our first panel. And for our second panel we will be hearing from the Honorable Jane Oates, Assistant Secretary of the Employment and Training Administration, U.S. Department of Labor.

Welcome, Secretary Oates, for another appearance before the subcommittee. You can go ahead and proceed with your testimony.

**STATEMENT OF JANE OATES, ASSISTANT SECRETARY, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR**

Ms. OATES. Good morning, Chairman Davis, Ranking Member Doggett, other Members of the Committee. Thanks for this opportunity to begin the discussion on the President's American Jobs Act.

The act draws on bipartisan ideas and proposes innovative changes to the unemployment insurance, the UI program. It gives states flexibility to implement innovative voluntary approaches to get long-term unemployed workers back to work and boost job creation, while also providing UI benefits to the long-term unemployed who continue to face challenges finding jobs.

I know you all agree that getting people back to work is essential to our sustained recovery and our nation's economic strength. The UI reforms in the American Jobs Act are packaged to ensure unemployed workers have the benefits they need while searching for work, but also ensures that they have the necessary services and opportunities to get re-employed.

The proposal couples a further extension of emergency unemployment compensation with full federal funding of the extended benefit program for one year, with mandatory re-employment services and eligibility assessments for EUC claimants, and state flexibility to implement a menu of innovative re-employment strategies that would provide claimants with additional options, if they chose to pursue them.

The President's proposal will, by the end of 2012, prevent 6 million Americans from losing access to the benefits they need to sustain their families while they look for work. We know that without these life-sustaining benefits this past year, 3.2 million people would have slipped into poverty.

At the same time, an extension of emergency unemployment benefits for a year bolsters consumer spending, which, in turn, fuels local economies by returning \$2 in economic growth for every \$1 in benefits paid. We know that the longer an individual is unemployed, the less likely that individual is to successfully return to work, because their skills get rusty and they face the stigma of being long-term unemployed.

The President is asking Congress to extend EUC and full federal funding for EB through the end of 2012. At the same time, the act promotes rapid re-employment by requiring states to provide re-employment services, and UI eligibility assessments similar to the



re-employment and eligibility assessment initiative that 40 states currently operate. They would now provide this to all EUC recipients.

States will provide these services in tandem, and we know this strategy works. Research shows that a combination of RES and REA activities reduces UI duration and saves trust fund dollars, because claimants find jobs faster and ineligible claimants are identified, thus reducing improper payments.

In addition to these important re-employment services, the American Jobs Act proposes the Re-Employment Now initiative, which provides \$4 billion to states through a formula, and gives states the flexibility to implement something from the menu of optional re-employment services, including state-developed models, while joining DoL in an evaluation of the models to inform future UI reforms.

All of these options directly benefit long-term unemployed workers. The Bridge to Work program builds on and improves on programs such as Georgia Works, and will permit EUC recipients to voluntarily engage in temporary work for up to 38 hours a week for up to 8 weeks, while continuing to receive their EUC benefits. Total benefits in every state must be at least equal to the minimum wage in that state.

Key worker protections are mandatory for both the EUC recipient and for employees at the participating employer. Bridge to Work is a win-win for both the EUC recipient and the employer, and we think it promotes job creation and hiring.

Wage insurance will provide an incentive for older EUC recipients 50 and above to return to the labor market by taking a job that pays less than what they were making in their last job. Participants could be paid up to 50 percent of the difference in wages between the two jobs during a period of time determined by the state.

Other initiatives in my oral testimony, as my time is running out, we can discuss during questioning. But I do want to end by saying that we think the American Jobs Act is a comprehensive package and the President is urging Congress to enact it in its entirety, including, for example, the additional re-employment strategies that are pathways back to work that will be considered by other committees.

I really hope this is the beginning of our discussion. I hope we can reach some common ground on this, and really hope we can get to something quickly.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Oates follows:]

**STATEMENT OF**  
**JANE OATES**  
**ASSISTANT SECRETARY**  
**BEFORE THE**  
**SUBCOMMITTEE ON HUMAN RESOURCES**  
**COMMITTEE ON WAYS AND MEANS**  
**UNITED STATES HOUSE OF REPRESENTATIVES**

October 6, 2011

Good morning Chairman Davis, Ranking Member Doggett, and members of the Subcommittee. Thank you for the invitation to testify today and for holding this hearing on the Unemployment Insurance (UI) provisions in the American Jobs Act of 2011, which will generate economic growth and jobs; provide income support for long-term unemployed workers who are looking for jobs and continue to face challenges in returning to work due to the sluggish economy; and provide opportunities for states to implement innovative reforms to the UI system to help these workers become reemployed and for currently employed workers to retain their jobs. These provisions in the American Jobs Act of 2011 will help unemployed workers regain their footing in this economy and encourage employers to hire the long-term unemployed.

Helping unemployed workers become reemployed is essential to sustained recovery and economic strength, and is one of the most important issues facing our country today. These provisions complement other provisions in the Act that would put workers back on the job, including tax cuts to help America's small businesses hire and grow, tax relief to all American workers and their families, new investments in our Nation's infrastructure,

and other measures targeted specifically on populations struggling to find work—such as tax credits for hiring the long-term unemployed and returning veterans, and the Pathways Back to Work Fund that would expand job opportunities for low-income adults and youth.

#### OVERVIEW OF UI PROVISIONS IN AMERICAN JOBS ACT OF 2011

The President’s proposal will, by the end of 2012, prevent 6 million Americans from losing access to the benefits they need to sustain their families while looking for work. In addition, the proposal provides states with options to implement UI reforms tied to reemployment by drawing on bipartisan ideas to address long-term unemployment in an aggressive, multi-pronged way.

The American Jobs Act of 2011 would extend the Emergency Unemployment Compensation (EUC) program and special provisions concerning the Extended Benefits (EB) program, programs that support the long-term unemployed, for one year. In addition, the Act will require states to provide Reemployment Services and Reemployment and Eligibility Assessments (RES/REA) to EUC recipients to speed their return to work.

Further, the American Jobs Act of 2011 establishes the “Reemployment NOW” program, providing \$4 billion for states to implement innovative programs to help the long-term unemployed return to work. States will have flexibility to implement an array of innovative reemployment programs using their share of the funds, including:

- A Bridge to Work program to allow EUC recipients to connect with employers and obtain short-term work-based experience, thereby enhancing their long-term employment opportunities and allowing the long-term unemployed to maintain or update their skills;
- Wage insurance to provide a wage subsidy to older EUC recipients who take jobs at a lower wage than was paid at their previous job;
- Intensive reemployment services for current EUC recipients and long-term unemployed workers who have already received all EUC benefits to which they were entitled;
- A Self-Employment Assistance program that enables EUC recipients to create their own jobs through entrepreneurship; and
- Innovative programs designed by states to aid the reemployment of current EUC recipients and long-term unemployed workers who have already received all EUC benefits to which they were entitled.

The American Jobs Act of 2011 also promotes state adoption and expansion of short-time compensation (STC) programs, or work-sharing, which allows employers to avoid layoffs by reducing hours for employees who then receive a pro-rata share of their weekly UI benefit equal to the percentage by which their hours were reduced.

Additional information about these proposals is provided below.

#### UI BENEFIT EXTENSION

According to the President's Council of Economic Advisers, about 40 million people received, or lived with a recipient of, EUC and EB benefits between December 2007 and October 2010. One-quarter of those people -- 10.5 million -- were children. Without EUC and EB during the recession, the typical household receiving these benefits would have seen its income fall by about a third. The Bureau of the Census found that more than 3.2 million people would have slipped into poverty in the past year without having unemployment benefits.

In August, there were approximately 6 million workers who were unemployed for more than six months -- over two-fifths of the nearly 14 million Americans who are unemployed. Extending UI is not only critical to ensuring that these Americans do not lose important benefits, but also to provide a boost to consumer spending and economic growth. According to the Congressional Budget Office, UI is one of the most effective ways to stimulate the economy because UI beneficiaries generally spend the entire benefit amount they receive and do so quickly, often at small businesses in their local communities. In fact, according to research conducted by IMPAQ International (Vroman and Benus, "The Role of Unemployment Insurance as an Automatic Stabilizer During a Recession," July 2010), during times of high unemployment, up to \$2 of economic activity is generated by each \$1 in UI benefit spending.

The American Jobs Act of 2011 would extend the EUC program for new claimants until January 3, 2013, with a final phase-out date for all claimants of June 8, 2013. EUC

provides up to 53 weeks of benefits. This Act would also extend full federal funding of EB through January 4, 2012. EB provides up to 20 weeks of benefits in states with high unemployment. Without these extensions, the EUC program and these EB provisions will expire in early January 2012. The extension would prevent 6 million Americans next year from losing access to benefits while looking for work.

#### REEMPLOYMENT SERVICES AND REEMPLOYMENT ELIGIBILITY ASSESSMENTS

The American Jobs Act of 2011 would require states to provide Reemployment Services (RES) and Reemployment and Eligibility Assessments (REAs) to EUC recipients who begin to receive EUC or who begin new tiers of EUC benefits. By combining RES services with UI eligibility assessments, states will be able to provide EUC recipients with an opportunity to meet face-to-face with staff in a One-Stop Career Center and receive services such as career counseling, labor market information, job search assistance, skills assessment, and support in developing a reemployment and work-search plan. REAs are also real-time, in-person reviews of an individual's eligibility for unemployment benefits so as to prevent improper payments. This combination of REA and RES is key to supporting reemployment while also maintaining program integrity. While RES/REAs are provided to some regular UI claimants in most states, this Act would ensure the provision of RES/REAs to EUC recipients, who are long-term unemployed and in need of reemployment assistance.

Research has shown that providing both RES and REAs to UI claimants reduces UI duration and saves unemployment funds by helping claimants find jobs faster and eliminating payments to ineligible individuals. A recent study of the REA program by IMPAQ International found that the REA program is effective in producing savings for the UI program. The study suggested that combining REA with RES into a seamless delivery system may achieve greater impacts than providing REA services alone, with referral to subsequent reemployment services. The results from the State of Nevada, which included a combined REA and reemployment services model, showed larger savings to the Unemployment Trust Fund than the results from the other states that did not combine these functions. Claimants who received REAs in Nevada received, on average, 2.96 fewer weeks of benefits than similar claimants, which translated to a reduction in benefit payouts of \$805.

Research found that individuals who receive critical core services such as job search assistance at earlier points of joblessness have measurably higher earnings than groups of individuals who receive such services later in the process (Dolton and O'Neill, "The Long-Run Effects of Unemployment Insurance Monitoring and Work-Search Programs: Experimental Evidence from the United Kingdom," *Economic Journal*, March 1996, pp. 387–400). By improving the connections between assessment, servicers, and job placement, DOL estimates that this proposal would save approximately \$1.6 to \$3.0 billion, more than offsetting the full government investment of \$1 billion. It should be noted that all experimental and non-experimental research on the subject has concluded that REAs and RES reduce UI duration. Estimates of reduction in UI benefits range from

0.4 weeks to 1.8 weeks (Poe-Yamagata, "Impact Of The Reemployment And Eligibility Assessment (REA) Initiative," 2011; Almandsmith, "Evaluation of the Strengthening the Connections Between Unemployment Insurance and the One-Stop Delivery Systems Demonstration Project in Wisconsin," 2006; Jacobson and Petta, "Measuring The Effect Of Public Labor Exchange (PLX)," 2000). The estimated cost savings noted above takes a middle estimate of 0.8 weeks to 1.5 weeks. Together, reemployment services and UI eligibility assessments will help speed EUC recipients' return to work and help save trust fund dollars.

#### REEMPLOYMENT NOW

The Reemployment NOW initiative in the American Jobs Act of 2011 is designed to introduce reemployment reforms to the UI program in order to limit the duration of benefits for EUC claimants by helping the long-term unemployed find suitable work. Under the program, \$4 billion would be available for allotments to states with approved state plans to carry out programs and strategies to assist long-term unemployed workers in obtaining reemployment. Fund allocations will be based on state shares of the long-term unemployed and include any reallocations from states that choose not to participate. The optional programs and strategies are described here in more depth.

#### Bridge to Work

The Bridge to Work program borrows from and improves upon a number of promising aspects of Georgia Works and similar programs including WorkReady Missouri, Return to Work New Hampshire, and Opportunity North Carolina. Bridge to Work strengthens



the best features of these state programs while adding important worker protections. EUC recipients may receive temporary work-based experience that helps them maintain or learn new skills, and they get the chance to be considered for long-term employment. This program would work in tandem with the Administration's proposed hiring tax credit for the long-term unemployed of up to \$4,000, which will provide employers additional incentive to offer permanent employment to program participants.

Participation by employers and employees in a state's Bridge to Work program would be voluntary and short-term -- up to 38 hours per week for up to 8 weeks. This program ensures participants receive at least the minimum wage for the work they perform by providing "top off" payments, when necessary, to supplement the weekly EUC payment. Key worker protections -- including workers' compensation coverage -- are mandatory, and the program is designed to ensure that current employees are not displaced or disadvantaged by an employer's participation in the program. If an employer does not hire any Bridge to Work participants after 24 weeks of participation, that employer may no longer participate in the program. States may use their share of the Reemployment NOW funding to cover the additional costs of the program beyond the EUC benefits (such as administrative costs and top-off payments to ensure participants receive at least the minimum wage) -- ensuring that states have the support they need to sustain these innovative programs.

*Wage Insurance*

Particularly in the current economy, unemployed individuals have frequently been unable to find work that pays a wage commensurate with their previous wage, and this can be particularly disruptive for older workers. Wage insurance smoothes the transition to new employment for workers who have lost their jobs and have taken new work at lower wages; it temporarily supplements older workers' earnings by giving them a portion of the difference between their current and previous earnings. Particularly if that employee is taking an entry-level position in a different industry, the employee will then have the opportunity for future wage increases and the acquisition of new skills. At the same time, the proposal requires the employer to pay the same salary to participants as other employees in equivalent jobs. This is done to avoid depressing wages. Wage insurance is currently offered on a limited basis through the Alternative Trade Adjustment Assistance (ATAA) program. The Department of Labor's most recent data shows that 89 percent of workers who received wage insurance under the ATAA program had a job after completing the program, and 95 percent of those workers remained employed six months later.

Under the Reemployment NOW proposal, states would be permitted to use some of their share of the \$4 billion to design a program to provide wage insurance for up to two years for EUC recipients who are 50 or older. Older long-term unemployed workers have the longest duration of unemployment with a staggering 52 week average. They are also less likely to move or to accept jobs in new sectors and occupations. Participation would

be voluntary and limited to individuals earning no more than \$50,000 per year in their new job. Participants would receive a wage insurance payment of up to 50 percent of the difference between the previous wage and the new wage, and the total of the payments received by any participant could not exceed a maximum amount established under the program by the state. To qualify, the worker would have to be employed on a full-time basis and not employed by the employer for whom the worker had last worked.

*Intensive Reemployment Services*

Provision of reemployment services is an essential strategy to help workers find jobs. Reemployment strategies that combine the use of quality labor market and career information, assessments of the individual's skills and skills gaps, and reemployment services that include job search assistance are methods which have proven to reduce UI duration by speeding the individual's return to work, including during a recession. For this reason, the legislation provides states the option to use their share of the Reemployment NOW funding to provide a program of enhanced reemployment services to help EUC recipients and other long-term unemployed workers successfully return to work in good jobs. These innovative and more rigorous and intensive reemployment services may include assessments, counseling, case management, and services designed to enhance communication skills, interview skills, and other skills necessary for obtaining reemployment.

*Self-Employment Assistance*

To encourage entrepreneurship and enable unemployed workers to create their own jobs, Federal law currently permits states to operate self-employment assistance (SEA) programs. Under SEA, states may pay a self-employment allowance, in lieu of the regular UI benefit, equivalent to the weekly UI benefit to eligible jobless individuals while they are working full-time to establish businesses with the goal of becoming self-employed. Currently eight states operate SEA programs as part of their regular state UI program. A very successful SEA program championed by Senator Wyden in Oregon since 1995 has shown positive effects. Reemployment NOW provides the opportunity for states to offer this self employment option to EUC recipients.

There is evidence that self-employment is a viable reemployment strategy for some unemployed workers if they are provided the necessary supports and training. When claimants have UI benefits and can devote their full-time attention to creating their business, they have greater success. In addition, supporting small business development has the potential to create additional new jobs.

A 2001 comprehensive assessment of SEA programs (Kosanavich and Fleck, "Comprehensive Assessment of Self Employment Assistance Programs," Employment and Training Administration Occasional Paper, 2002-01) indicates that participation in the SEA program is an important predictor of which individuals will eventually take steps to become self-employed; those who received SEA training were nearly 19 times more likely to have been self-employed than those who were not enrolled in the program. Data

also indicates that participation in an SEA program generally has a positive impact on the earnings of an individual after initially filing a claim for unemployment, even if the individual subsequently obtains employment rather than becoming self-employed. The 2001 study found that earnings generally increased over time.

Information we have received indicates that SEA is effective in helping UI claimants become self-employed and, as their businesses grow, providing employment opportunities for other workers. For example, in Oregon, surveys have shown success and satisfaction with the SEA program. In 2011, approximately 70 percent of survey respondents indicated that they were able to launch a business after participating in the SEA program. Of the individuals who were able to launch a business, 43 percent indicated that their business was in an “emerging” stage and 23 percent indicated that their business was at “full function.” Furthermore, about 15 percent of respondents indicated that they have hired full-time employees; about 8 percent indicated they have part-time employees; and 8 percent indicated that they have occasional employees.<sup>1</sup> One employer has 28 full-time employees.

Building on that evidence, Reemployment NOW will permit states to establish SEA programs for EUC recipients enabling them to continue to receive benefits for up to 26 weeks while working to start their own businesses. States will need to partner with Small Business Administration centers locally to support entrepreneurial training, to provide mentoring for participants, and to provide access to other small business development

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<sup>1</sup> These two groups are not separate, thus some respondents may have both full-time and part-time employees.

resources. Under the proposal, EUC recipients would be allowed to resume receipt of EUC if they choose to end participation in SEA, which would make it more attractive for claimants to take the risk of trying to establish their own businesses.

*Additional Innovative State Programs*

While all of the strategies described above will help the long-term unemployed find jobs, states may have ideas about other innovative approaches. To support state creativity and flexibility, upon approval from the Secretary of Labor states will be permitted to use their share of the \$4 billion Reemployment NOW funds to implement their own innovative reemployment strategies for the long-term unemployed. These strategies must meet a few key requirements. To be eligible, the strategies must directly benefit EUC recipients or other long-term unemployed workers either as a benefit paid or service provided, and may not reduce the duration or amount of compensation to which the EUC recipients would otherwise be eligible. In addition, states may not reduce the duration or benefit amount or eligibility for regular UI or EB. Further, the strategy may not result in displacement of workers.

SHORT-TIME COMPENSATION

The American Jobs Act of 2011 also includes a set of proposals designed to promote state implementation of short-time compensation programs, also known as work sharing.

Work sharing is a job retention strategy that encourages employers to reduce employees' work hours in lieu of laying off employees. The employees then receive a percentage of their weekly UI benefit amount commensurate with the percentage by which their work

week has been reduced. For example, if an employer reduces employees' work hours by 20 percent, those employees will then be eligible for 20 percent of the full weekly UI benefit amount they would have received had they been laid off.

STC is a win-win proposition for both workers and employers. By receiving a partial UI benefit payment, the effect of the reduction in wages is mitigated. In addition the reduction in income is generally much less than it would be if the individual were totally unemployed and received a full weekly UI payment. By remaining employed, rather than laid off, workers don't lose their skills and have a higher likelihood of regaining their prior income when the economy improves and their employers have a greater need for their services. Employers benefit because they are able to maintain a skilled workforce and avoid the costs associated with retraining returning workers or hiring and training new workers should the laid-off workers find other jobs. There are 24 states currently running STC programs. Further, to encourage states to try STC, this act would establish a two-year Federal STC program that states would administer. Finally, to support states that operate STC programs under their own laws, up to three years of Federal funding of STC benefits would be available.

#### UI SOLVENCY

Sustaining a viable UI program urgently requires trust fund solvency reforms. With sustained high unemployment and UI claims for over three years, many states have depleted the funds in their accounts in the Unemployment Trust Fund and have had to take repayable, interest bearing advances (loans). Thirty-Six states have received

advances since the beginning of the recent recession, of which 16 states received advances in September and 28 states have outstanding advances. The advances provided during the last two years peaked at just over \$48.5 billion in April 2011. The sizes of these advances reflect both the severity of the downturn and the fact that many states have chronically underfunded their UI systems. A number of states now have little prospect of paying back those advances any time in the foreseeable future. In fact, without intervention, it will take many states over a decade to pay off their advances -- and that assumes no intervening economic downturn. Furthermore, continued use of advances could lead to a decrease in the capacity of the UI program to provide economic stabilization UI tax increases needed to restore unemployment fund solvency are often paired with reductions in benefits, with the combined reduction in economic stimulus.

In addition to the American Jobs Act of 2011, the President's plan recommended to the Joint Committee on Deficit Reduction includes a proposal designed to provide employers and states with short-term relief while also improving the long-term solvency of state UI trust funds. These proposals were also included in the President's FY 2012 budget.

Two immediate challenges for both states and employers associated with this unprecedented use of advances. First, interest due on the advances must come from sources other than the state's account in the Unemployment Trust Fund. Second, Federal Unemployment Tax Act (FUTA) tax credits are scheduled to be reduced for states with advances outstanding for two years or more. The President's plan would grant states with outstanding advances an additional two years during which interest would not



accrue and interest payments would not be made. The President's plan would also eliminate these FUTA credit reductions for taxable years 2011 and 2012. These short-term proposals will provide immediate relief to employers and states in support of economic recovery.

While the extraordinary depth and longevity of the recent recession is the significant cause for current state insolvency, insufficient planning and forward funding is also important factor in many states. States are given the flexibility to set benefit levels, and they should adopt a responsible tax structure to match. The last time that the FUTA wage base -- the minimum wage base that states can subject to UI taxes -- increased was under President Reagan in 1983, when it was set at \$7,000; this increase reflected similar circumstances to the ones we face today. As a way to restore solvency to state UI systems, the Administration's proposal would raise the wage base to \$15,000 (indexed thereafter to wage growth), simply restoring the wage base to near the same real level as that set under President Reagan -- and would do so in 2014, by which point the economy should be stronger.

Importantly, this plan would not increase "regular" federal UI taxes. The regular federal rate would be reduced when the tax base increases in 2014 so that employers' regular federal UI taxes are held roughly constant. And, states are given a choice. While states will have to set a wage base at least equal to the new federal level by 2014 in order to retain the full FUTA credit, they too could choose to reduce their tax rates in response to

this increase in the base. However, we expect states to take the opportunity to realign their UI systems, restore responsibility, and markedly improve their solvency.

#### UI INTEGRITY EFFORTS

While the Administration supports a UI benefit extension, we are working very hard, in partnership with the states, to make sure that only those who are entitled to receive benefits do so. As a result, over the past year the Department of Labor has dramatically accelerated its work with states to address UI improper payments and is currently implementing a wide array of strategies, in partnership with states, to better prevent, detect, and recover improper payments and improve the integrity of the UI program.

Last month, the Department announced that 40 states, the District of Columbia, and Puerto Rico, received more than \$191 million to implement these and other unemployment insurance program integrity technology infrastructure systems. In addition, the Department announced the selection of six “High Priority” states with a high percentage of improper UI benefit payments over a prolonged period to receive customized technical assistance in reducing their rate. The Department also unveiled a new web-site that displays state-by-state improper payment data and provides progress reports on strategies states are implementing to address improper payments.

Examples of UI program integrity strategies include: (1) preventing claimants from continuing to claim benefits after they return to work through states’ use of the National Directory of New Hires (NDNH); (2) getting more timely and accurate separation

information from employers or their representatives through use of the State Information Data Exchange System (SIDES), an automated separation information exchange; (3) recovering outstanding overpayments by intercepting Federal income tax refunds using the U.S. Department of the Treasury's Treasury Offset Program (TOP); (4) providing aggressive intensive technical assistance for states with particular focus on states that impact the overall UI improper payment rate the most and states that are struggling the most to reduce improper payment rates; and (5) proposing the Unemployment Compensation Program Integrity Act of 2011. Major portions of our Integrity Act are included in H.R. 2832, the trade legislation currently pending before the Congress, and when enacted, will require states to impose 15 percent penalty on benefit overpayments due to fraud; prohibit states from non-charging overpayments due to employer fault if there is a pattern of failure to provide timely and adequate information to the state agency; and require employers to report rehire of individuals separated for at least 60 days to the National Directory of New Hires. We look forward to these provisions becoming law.

#### CONCLUSION

As President Obama emphasized in his speech to Congress last month, the American Jobs Act of 2011 is important legislation that must be passed now to get Americans back to work. The UI provisions that I've briefly discussed today are essential elements designed to support the long-term unemployed and promote innovative strategies that will help them get jobs and promote employer hiring of the long term unemployed. I appreciate the opportunity to talk to you today about them, and look forward to continuing to work

with the subcommittee on ways to help unemployed workers and to improve the UI program. I will gladly answer any questions you have.

Chairman DAVIS. Thank you very much, Ms. Oates. I will go ahead with the first question.

According to the Administration's most recent projections in the fiscal year 2012 mid-session review released in September, to quote, "The unemployment rate is projected to fall, but it is not projected to fall below 6.0 percent until 2016." For reference, in 2008, our national unemployment rate hit a low of 4.9 percent.

Now, the Administration also projects that at this time next year the national unemployment rate will still be at 8.2 percent, which is, I think we would agree, unacceptably high. Yet, when we look at the proposals before us from the President, they generally propose help for the long-term unemployed through the end of 2012.

Now the question. Does this mean that if we pass the proposed tenth extension of UI benefits now, that a year from now will you be back asking for an eleventh extension of federal UI benefits, and another infusion of one-time short-term stimulus funds to "create jobs"?

Ms. OATES. Mr. Chairman, I think that is a fair question, but I don't have a crystal ball, with great respect. I think our hopes are that the proposals that we are putting forward here will reduce the number of people continuing into long-term unemployment, will accelerate people getting back to work, particularly when you look at the re-employment services that we are asking for, and the assessments.

We think that a number of people in your state and in every state across the country have been put out of work in a sector where there are no longer jobs for them. So we are hoping that these initiatives that we are proposing—and we will work with you on trying to enact many, all, or some of them—we think it will change the direction of people.

We certainly think that something like the Recovery Act, while some people say it wasn't effective—I mean we can certainly look at things like the state sustainability funds, which eliminated the need to lay off workers in 2009 and 2010 from states and municipal areas, and the resurgence of the auto industry. Likewise, I think this proposal will have real benefits. Do I think it is perfect? No, sir. I wouldn't say that to you. But I think together we can make it even better than it is now, and I look forward to working with you on that.

Chairman DAVIS. Okay. Well, we have a mutual concern. There are a couple of generations of statistical data that would suggest that when people pass that two-year mark being unemployed, that it is very rare that they re-employ. And the question that we have tried to deal with over the course of this year is looking at ways to encourage working—especially with states, empowering front-line service providers—to get them to work as quickly as possible, so there is not a lag time that moves them away from the workforce.

Regardless of the issues surrounding that and the unique issues that Senator Wyden commented on—I certainly think he brought up some very creative ideas. We had a discussion on creative ideas that was very well received by the states that were a little bit different from this.

But I guess a final question would be why doesn't your proposal include permanent reforms to the UI program, so that we always do a better job helping the recipients to work from the first week of collecting benefits, instead of engaging largely after they have been unemployed for six months?

Ms. OATES. Well, I think, Mr. Chairman, you and I have had discussions about the fact that there is a real need to work with this Committee and the other chamber to look at long-term UI reform. Some of the things that we would like to do, in terms of solvency and improper payments, we are initiating as much as we can without statutory change.

But I think that what we are hoping is——

Chairman DAVIS. Just to intercede, had we gotten our JOBS Act passed, you would have had the statutory authority to deal with the data exchange and issues there. Go ahead.

Ms. OATES. We appreciate that. But we want you to know that we are hoping that some of the ideas that we are proposing in this act, they contain an element that has been missing when states try to do this ad hoc on their own, and that is a strong evaluation piece. We are committed to you—to evaluating anything that you give us the permission to do, so that a year from now, if you are choosing to look at long-term underlying UI reform, we will have real data, not anecdotal, not guesses, not political spin. We will have data to share with you about what the promising ideas were that really did make a difference in getting people back to work.

Chairman DAVIS. Okay, thank you very much. I yield now five minutes to the gentleman from Texas, the distinguished ranking member, Mr. Doggett.

Mr. DOGGETT. I thank the gentleman and the Secretary for her service.

With reference to the JOBS Act, my recollection is that the bill, though strongly urged in Committee and strongly opposed by me and others in Committee, was never brought by the House leadership to the House floor so that anything could be done on it. I am thankful that it wasn't, because I think the unemployed need the assistance more in my state than Governor Perry needs their money to pay off state bonds.

But to focus, Madam Secretary, on your testimony, what do you believe the economic impact will be if we allow two million people to begin losing their Federal unemployment insurance benefits in February, and a total of six million to lose their benefits, as you have testified, over the course of the next year?

Ms. OATES. Congressman, I think one word would sum it up. It would be "catastrophic." We would not only be pushing people into much more expensive safety net programs, but many of them would be entering programs like long-term disability that would be a mortgage that our country would have for decades to come.

I think that the American people want to go to work. But when pushed to the wall, they are going to do what they have to do to support themselves, to keep a roof over their head and their families'.

So I think that we have already seen a disturbing growth in long-term unemployment numbers. And I think that unless we give people real options, real job options so that they can support them-

selves, they are going to find another way to do it. I mean I do believe that we can reform our programs, but job creation is what we have to be about. There are 16 million unemployed people today, almost another 7 million working part-time that would like to work full-time. And by the best estimates, there is a little bit over three million jobs. That math doesn't add up.

So, I really hope that, you know, we don't look at that—we don't deny 6 million people in 2012 their benefits.

Mr. DOGGETT. And, really, if you look back over the decades through Republican administrations and Democratic administrations, when we have hit unemployment levels that are as high as they are today, have there usually been bipartisan efforts to extend unemployment benefits under that circumstance?

Ms. OATES. Yes, sir. Looking at the history, the last time unemployment—long-term federally-supported unemployment benefits were eliminated [sic], the unemployment rate was about 7.2 percent. There has never been a time in history when Congress has not included extensions when the unemployment rate was at nine percent.

Mr. DOGGETT. And I know, as I said in my opening statement, there are those who want to blame the unemployed for unemployment. But aren't we in a circumstance today where there are more than four unemployed Americans available for every job opening?

Ms. OATES. Yes, sir. And that is the national average. In some areas, even those areas represented on this committee, that number has doubled.

Mr. DOGGETT. And in that circumstance, what will be the effect if the effort last week by Republicans on the House Appropriations Committee to slash the Workforce Investment Act by 75 percent—almost eliminate it—what will the effect be on employment services, on job training, and opportunities for those unemployed individuals to find the work that they want?

Ms. OATES. Well, I would love to give you a direct answer to that, sir. But clearly, the way the bill is written with changing program year to fiscal year in some parts of the bill and not others, make it almost impossible to give you an accurate answer. But at the minimum, it would cut our services at least by 50 percent, and perhaps up to 90 percent in some programs.

What would that mean in Texas? It would probably mean that Larry Temple, your director of workforce programs, would probably have to close 80 percent of the one-stops.

Mr. DOGGETT. That—

Ms. OATES. Eighty percent.

Mr. DOGGETT. That doesn't seem to me to be a very creative way to address this problem.

I do have some concerns about the Bridge to Work model that copies Georgia Works. I like the sound and theory of the program. But at least one analysis I have seen shows that after a couple of months of providing employers free work, only about 10 percent of those workers find permanent employment. Is that the record?

And is there anything you do in the Bridge to Work proposal to try to ensure that we get better worker placement after providing weeks of free labor?

Ms. OATES. First of all, the Georgia Works program and the other programs in Missouri and North Carolina, in New Hampshire, don't use UI money. So therefore, we don't have a lot of accurate data on them. What we can tell you in studies that we have done, that people who do active work search actually have done twice as well in getting placed in jobs.

So, when we proposed this as an option—because we fully recognize that some people are sending out hundreds of resumes and not getting one interview—we hear that desperation whenever Secretary Solis and I travel individually or together—we think that some people really would like a chance to show what they have, what their worth is to an employer.

So, in addition to giving them this opportunity, we would first exhaust the resources of the Wagner-Peyser system and the employment service system by making sure they get an accurate assessment, they get face-to-face attention from someone so that they know that they are doing—they are getting the best, in terms of workforce—work search information.

I think that by beefing up the basics, the work search, the job counseling, the labor market information, and adding other options, we are responding to good ideas from around the country. So I think the pairing of them may give us the best options.

Mr. DOGETT. Thank you.

Chairman DAVIS. Great. Thank you very much. The gentleman's time has expired. The chair recognizes Mr. Paulsen from Minnesota for five minutes.

Mr. PAULSEN. Thank you.

Ms. OATES. Good morning.

Mr. PAULSEN. And, Madam Secretary, thanks for being here this morning. And, first of all, thanks for your comments at the end of your testimony, just saying that this is, from your view, the beginning of a discussion and wanting to work to find common ground on some significant challenges before us. And I think, as the chairman had mentioned, some proposals had already passed out of this subcommittee or out of the Ways and Means Committee.

So my understanding now is that the President's latest plan now that is before us—and some of the folks in the administration, by the way, are saying, "Look, you need to vote on this plan as it is, there is not room for modifications," that is why I really appreciate your comments here today—but this is the latest plan now that essentially will extend UI benefits for the tenth time for up to 99 weeks, for 1 more year, it will cost about \$44 billion, and there is another \$10 billion or so in some other sort of one-time stimulus-like programs that would also go into the deficit.

But I want to go back to some of the testimony that was received back in March from the inspector general at the Department of Labor. And at that time the testimony was centered around reporting an 11.2 percent improper payment rate for unemployment insurance benefits. And that represents about \$16.5 billion in overpayments, about \$936 million in underpayments. And I think one of the issues that the inspector general rose was that the unemployment improper payment reduction plan did not include specific targets for preventing these improper payments, or details on how



to meet certain targets, both for the Department of Labor and for the states.

And they also mentioned, “As we previously recommended, the Department and states must identify these strategies to maximize opportunities here, especially maximizing the use of the national directory.”

And I guess just in summary, so knowing that \$17 billion in overpayments or improper payments have been made, which is a record high, and the inspector general has essentially come out and said, “Look, the Department of Labor and the states have not identified the strategies that are necessary to target these improper payments,” and now we are being asked to sort of move forward another \$50 billion or so on unemployment benefits and services, at this 11.2 percent error rate, does that mean we’re going to have another \$5 billion that is going to be spent improperly? I mean is the math correct?

Ms. OATES. Well, all your numbers are correct, Congressman. Let me tell you that we have a very aggressive plan with the states to try to work on this number quickly.

It is very difficult to do anything quickly in the UI system because of the data lag time. But I think we have given you some materials, and we are happy to give you more about what we are doing.

Number one, we have set targets now with the states. Each state has an inter-agency team, because in the variety of states there are a variety of people who touch UI, whether through re-employment or direct benefit services. We have brought the 11 largest states together to work in a cohort, not because their rates are the worst, but because their numbers are so large that they can help us drive the number down.

We have put a new website up so that there is complete transparency about both the number and the dollar amount that each state is paying in improper payments. We have given states \$191 million in money that we have cobbled together, so that they can advance their use of the program or their use of the national database of new hires.

We have identified for each state in a pie chart that I think we provided to each of you what their root causes were, so that they could work with us on getting down the root causes, whether it is separation issues, where employers aren’t timely in their—getting back to the state about the reason for separation, or whether it is someone continuing to collect after they have gotten a job.

I think we have put together—and lastly, we have actually identified 6 states that have rates over 10 percent, and are giving them targeted technical assistance to get their rates down.

This is a partnership program with the states, and in—you are going to hear from a state director on the next panel, and I know she will be able to make this case much more accurately than I.

But I don’t think any of us really understand what the unemployment numbers have done to state workforce people. I mean they have been inundated with requests. And I would venture that every state has shifted people from the kinds of integrity issues that we all care about and they care about into making sure people get their check in a timely manner. I hope that, as the rates come

down a little bit in states, they will be able to shift those employees back to integrity issues.

Mr. PAULSEN. Yes. Well, and thank you for that. And I know Congress, obviously, is looking to save and make sure that every amount of waste, fraud, and abuse is not there.

And what suggestion would you have to make sure that we, as Congress, is making sure the Department and the administration and the states are held accountable for making sure we are not going to have an 11 percent improper payment rate? Because that is a huge amount of money that is going out the door.

Ms. OATES. Absolutely. It is unacceptable, Congressman. And I would say to you for the length of my time that I have in the future in this office, hold my feet to the fire. You know, call me up to your office, get your staff on the phone. We will have quarterly results. And if we are not showing progress, you need to help me and give me more ideas.

We have put together a plan that has literally taxed my UI staff in the national office and the regional offices, and they are enthusiastically embracing the extra workload. But I am open to new ideas, ideas that you might have. You may have things from your state and your state administrator—you know we work very closely with the states, there is not an administrator that I don't know personally—and we work closely with NASWA. We have no pride of authorship on what we have done. We are willing to try these out. If this doesn't get us where we are, if we need to add new measures, please be open and tell us.

So we look forward to working with you on this. I do not want to leave this position with the improper payment rate where it is now. I would like it well below 10 percent.

Chairman DAVIS. Thank you. The gentleman's time has expired. Mr. Berg is recognized for five minutes.

Mr. BERG. Thank you, Mr. Chairman. Thank you, Secretary.

Ms. OATES. Good morning.

Mr. BERG. I—you know, maybe I am looking at this very simply, but one of my frustrations is this is the tenth time we have extended this, all right? And since the major stimulus package, nothing has changed.

I mean you talk about this money going in the economy and stimulating spending, but we really haven't seen that happen. We are still at nine percent. The economy is bleak. I mean I agree that it is about jobs. But I also am concerned that we don't have anything innovative, anything that is changing. We are just doing the same thing.

And so, you mentioned earlier that there is 16 million unemployed people.

Ms. OATES. Yes, sir.

Mr. BERG. And there is about three million jobs. I guess my first question is it seems to me that we ought to be doing everything we can in this program to fill those three million jobs with the people that are unemployed. That should be our number one focus.

My other frustration—and this is just kind of the big picture—is everything is temporary. This temporary nature does not provide the security and the stability that people need, either those that are unemployed, or that our economy needs.

And, you know, obviously I have said this several times in our state is, you know, we are at 3.5 percent in North Dakota. We didn't have a jobs bill in North Dakota, and we understand there that government doesn't create jobs, the private sector creates jobs. And so we need to create an environment that encourages that to happen. And we need to create a system here that recognizes that and works with that private sector to encourage hiring and to fill those jobs and fill that capacity.

I mean there is a couple stories today in the press back home that are really disheartening, people that have lost their businesses in other states that have come to North Dakota, living in trailers, trying to pull things together, and there is a lot of optimism in those people. But the sad thing is this dead economy, they are never going to be able to recover from that. They have lost their businesses, they have lost their homes, and they are starting over at 60 years old.

And so, again, this whole thing—I think we need to get back to the focus of trying to create those jobs. And I am a strong believer that these solutions are not going to come from us in Washington. These solutions are going to come from the states.

And so, one of the core things that I want to talk to you about is we have a federal waiver, if I understand it correctly, at the federal point. But we don't have the waiver at the state. And so the—you know, I guess maybe if you could, just explain to me the federal waiver process that we have.

Ms. OATES. Well, under the unemployment insurance program we have no waiver authority. Under the Workforce Investment Act, which is the subject of another committee, we have more liberal waiver authority in many areas, and North Dakota is a recipient of many of those waivers under the Workforce Investment Act program.

But you know, we do not—you haven't given us statutory authority to waive anything in the unemployment insurance program.

Mr. BERG. Is that something that has been asked for in the President's bill?

Ms. OATES. No.

Mr. BERG. Would that—

Ms. OATES. We haven't done, really, anything to the underlying Unemployment Insurance laws in this bill. As you say, these are temporary programs.

But I think while your state has the blessing of great natural resources, it has done, really, a lot of things right. I mean you were able to come back from Mother Nature's natural disasters and floods this year in a much stronger way than anybody—than many of your other neighboring states were able to do so quickly. So, you are doing a lot of things right.

But one of the things the President's bill does, sir, is recognize the fact that we don't know everything in Washington, and it gives states a menu of options so that they can figure out whether wage insurance is right for them, whether, you know, self-employment assistance, that program is right for them, or whether they just want to build up their REA and RES programs.

So, I think we are on the same page there. We may have differences in other areas, but I think we definitely agree with you

that states know better about how to build their own local economy, how to respond to their employers, and we give them a menu of options.

Mr. BERG. I understand the rhetoric, but I don't see the action. And so I guess I would just challenge you to, as we are looking at this, and as we are debating this, that we look for those areas of waivers and flexibility within UI, both at the federal level and the state, to kind of move that forward.

Ms. OATES. Happy to work with you on that, sir. I am not a rhetoric person, I am an action person. Thank you.

Mr. BERG. Thank you. I yield back.

Chairman DAVIS. Thank you. The chair recognizes Mr. Crowley for five minutes.

Mr. CROWLEY. Thank you, Madam. Thank you Mr. Chair—

Ms. OATES. Good morning.

Mr. CROWLEY [continuing]. And thank you, Madam Secretary. Rhetoric has its place, so—

Ms. OATES. You must have been a preacher in a former life.

Mr. CROWLEY. Boy, I wish we all were North Dakota, I wish we all had a 3.5 percent unemployment rate. And unfortunately, in New York, it is, as Mr. Reed knows, it is at eight percent, if not higher. And so I appreciate my colleague's remarks, but also note that other states are even at higher levels than New York, in terms of unemployment. In fact, we feel kind of lucky that we are only at eight percent when we look at other states.

The—what I would remind my colleagues is that this portion, the UI benefit extension, is part of—part and parcel of—the President's overall jobs creator, jobs bill creating jobs. And I say it is a part of it. It is not a small part, and not an insignificant part.

People who receive unemployment, Madam Secretary, they have to be engaged in trying to find employment. Is that not correct?

Ms. OATES. That is correct, sir. That is the work search piece of every state law.

Mr. CROWLEY. So these folks aren't sitting home and just collecting a check. They have to be out looking for work, looking for a job. Right?

Ms. OATES. That is correct.

Mr. CROWLEY. The most a person in New York State can receive is \$405 per week. Now, just a little calculating, that is \$1,620 per month.

Now, we have gotten, I think, past the folks who were steered into improper mortgages. Most of those mortgages have been worked out. But now you are really delving into folks who have been, unfortunately, at—not due to their own malfeasance, but now find themselves chronically out of work. For many people half a year, for others a full year, a year-and-a-half. Is that not true?

Ms. OATES. Actually, 46 percent of all the unemployed have been unemployed more than 26 weeks.

Mr. CROWLEY. Now, I am just going to look at a mortgage not that one would have today, I'm just going—a homeowner. Someone who may have, a number of years ago, had a 5.8 percent mortgage rate, which was reasonable not even 10 years ago, 30-year fixed mortgage, it comes to about \$2,100 per month, just to pay the mortgage. Now, at \$1,620 per month in New York—and that is for

a \$350,000 home, which, just to clarify for folks, when my father was a New York City detective in 1964, the home that he purchased in Woodside, Queens, was for \$24,250, 3 bedroom, 1 bath. Today the City of New York says that house, for tax purposes, is worth over a half-a-million dollars. That's on a detective salary, New York City police officer's salary.

Now, I am even coming down from that. \$350,000, they are already into this house now for about 10 years. They have been paying \$2,100 a month for 10 years. Now they don't have a job, they are out of work. These are hard-working folks who were working all their lives, continue—they want to be—they want to play by the rules. They have played by the rules. They are continually looking for work, and they can't find it. And they are barely holding on to their home if they are getting that \$1,620, not to mention food, not to mention gas, not to mention possibly tuition, not to mention any extra-curricular activities for their children, utilities. Is that not correct?

Ms. OATES. Absolutely, sir.

Mr. CROWLEY. So, the giveaway of \$1,620 per month barely, if they are lucky, can keep them in their home. Is that not correct?

Ms. OATES. That is correct. And don't forget, sir, they pay taxes on that \$1,600.

Mr. CROWLEY. Pay taxes on that. So—

Ms. OATES. So they don't get the whole thing.

Mr. CROWLEY [continuing]. One more last point. These folks are actively out looking for work. Is that—as we said before, correct?

Ms. OATES. In order to be eligible, yes, sir. They have to—

Mr. CROWLEY. They are not really—they can't be down on Wall Street protesting, can they?

Ms. OATES. I don't think so, sir.

Mr. CROWLEY. No. So—

Ms. OATES. I don't think they have the money to take the Metro.

Mr. CROWLEY. So what I would suggest to all my colleagues, they are not down on Wall Street, protesting, or anywhere in this country protesting, because they are too busy out looking for work.

Deny them unemployment insurance, deny them that, maybe deny their ability to keep their home and pay for their kids to grow up properly, you are going to find them—these are not just a rabble who are down at Wall Street, these are not just professional protestors. You take unemployment away, and see what happens. That is not a threat, it is just a reality, that people lose all hope. And I would just suggest that.

The Hoover Dam, the Triborough—now the Robert F. Kennedy Bridge, the interstate highway system was built, not by private industry—they may have built it, but contracted out with the assistance of government.

And a great portion of what the President is talking about is not just unemployment—this is part of it—but he is talking about investment in infrastructure, he is talking about helping create employment so that we can help people help themselves and keep their homes. And I would just remind all my colleagues of that point, and I yield back. Thank you.

Chairman DAVIS. The gentleman's time has expired. Mr. Reed from New York is recognized for five minutes.

Mr. REED. Thank you, Chairman. Madam Secretary, I appreciate you being here today.

I just wanted to follow up on a piece of your testimony that you gave to Mr. Doggett. You said that cutting off unemployment insurance would lead to catastrophic situation.

Ms. OATES. Yes, sir.

Mr. REED. And in that response you said that the people that would be denied benefits would move to long-term disability status. What do you mean? Why would they be going to long-term disability status?

Ms. OATES. Well, sir, if you look—and I would be happy to get the numbers for your staff—if you look at the increase to people who are considered long-term disabled, permanently disabled, the number has almost doubled during the recession. And I think—

Mr. REED. Is that because there is more disability out there, or they are just applying for whatever benefits, even though they may not be entitled to them?

I don't see a growing populous of disabled Americans in my district or around the country. And yet you are telling me, from your perspective, what people are going to do is move to disability status.

Ms. OATES. Well, it is—

Mr. REED. Has their disability status changed, physically?

Ms. OATES. If I might, sir—

Mr. REED. Yes.

Ms. OATES [continuing]. I would propose—and I would certainly be open to what you have seen in your population—I think many people work 40 hours a week who could be claimed as long-term disabled because of long-term illnesses, because of permanent disabilities that they have, but they are able to work. But if they can't find a job, and they can't feed themselves and their families, what other option do they have?

Mr. REED. Well, and that—see, and that is what I am trying to get to, your mind set. Because when I go back to my district and I talk to my farmers and I talk to folks, they say, "We can't find people to come work." Yet in some of these counties we are at 9 percent, 10 percent unemployment.

Why do you believe that people will choose to do inappropriate things in order to put a roof over their heads, as opposed to, in my opinion, do what is right, and maybe go to work on a farm or in an under-employed status in order to get off the unemployment roll? Why do you automatically assume that they are going to move to long-term disability, when they are not disabled, as your testimony suggests to me? Why do you assume that, from the administrative—

Ms. OATES. I didn't—I don't think I am assuming that they are doing anything inappropriate. I said that there are people who have disabilities, but have chosen to work. And in a place where they can't find work, what other option do they have?

In terms of farm work and temporary seasonal work, I think we have done a much better job working with states to advertise those

jobs. Quite frankly, I don't think people knew that those jobs existed. They didn't know what they were——

Mr. REED. We would love to work with you to publicize that, so we definitely will reach out to you.

Ms. OATES. Absolutely.

Mr. REED. I really want to focus—my heart of my questioning this morning is I am greatly concerned how we are paying for all this. Because when I went back—and this is a whole new area for me, okay, so bear with me, maybe I am misunderstanding the program, but in New York State the loans that were advanced to the state came due, and the governor had no choice but to put a surcharge on the employees. And as I went back to my district in August, I think it was \$27 per employee. And a lot of my small business owners were saying, “Tom, I am in dire straits.”

I ran four small businesses. When you impact a business on an unforeseen bill that impacts cash flow to the extent that some of these small business owners were receiving because they got a letter from the state saying that they owed this surcharge on their employee to pay back the loans that were advanced to the state, that is crippling them. They literally told me to my face that they were choosing between paying this bill for their unemployment surcharge or investing and hiring new people.

So how do you reconcile—how are we going to pay for this without having the negative impact of the costs that come with it? Because it has to be paid for. I mean this is real money. And so how do you say we are helping job creation by extending unemployment benefits, when at the same time the bill for that is hurting the small business owners that are ultimately going to have to pick up the tab that hopefully will put the people back to work? Do you understand my concern?

Ms. OATES. I have to apologize, Congressman. I don't really understand what the surcharge is that the state is—and I will go back and learn more about——

Mr. REED. It is the interest-free loans that came due after two years that was advanced to the state because of the extended unemployment period of time.

Ms. OATES. Actually, you know, 36 states borrowed.

Mr. REED. Yes. We are one of them.

Ms. OATES. You are one of them. That is right. In fact, over the course of the time that we have been doing the loans, 16 states are continuing to borrow as of September.

So, what they—the reason they have to pay the interest back is so that they don't have to raise their FUTA tax.

Mr. REED. Yes.

Ms. OATES. They don't lose the credit on that. So it could be that what New York did is put on a surcharge so they didn't raise the tax.

Mr. REED. That is exactly what they did. That is exactly my understanding. But the small business owners are the ones that have to pay that, because—just can't print the money. They have to go back to the business owners that are creating—that have to pay the bill, that are trying to create the jobs to get people off the unemployment rolls. It just doesn't make sense to me, why we are doing this.

Chairman DAVIS. Thank you, the——

Ms. OATES. Well, the other option would be a permanent increase to their FUTA tax, and I think, you know, we could work with your staff to figure out what the numbers were, and work with Albany to figure it out so I understand it better. I apologize that I am not as clear with what—why they are doing a surtax——

Mr. REED. So you would agree raising the FUTA tax would not be conducive to job creation.

Ms. OATES. Oh, absolutely.

Chairman DAVIS. The gentleman's time has expired.

Mr. REED. Thank you, Chairman.

Chairman DAVIS. But perhaps you could answer his question in writing and I will submit it——

Ms. OATES. Absolutely, through the chair. Yes, sir.

Chairman DAVIS. Thank you. The chair recognizes Mr. McDermott for five minutes.

Mr. McDERMOTT. Thank you, Mr. Chairman. Reading the history of unemployment creation in 1935 and the Unemployment Act—or the Social Security Act in 1935, the last issue that was argued on the last day in the Senate was, “Is there some kind of moral degenerative element to giving people unemployment insurance? They will somehow get a weak soul, and they will stay in their chair and wait for their unemployment check.” The Republican Party has never believed unemployment insurance was good.

Now, I would like you to explain—my colleague can't seem to get the picture—I want you to explain——

Mr. REED. Would the gentleman yield for just one second?

Mr. McDERMOTT. Yes.

Mr. REED. I would just like to remind the gentleman that he and I sponsored two of the extensions together for unemployment, based on your last remark. I yield back.

Mr. McDERMOTT. I understand. I would like you to explain to the committee the term counter-cyclical, the idea that you put money into the fund when things are good, so that when things are bad you have money to draw out. And what happens to states who, when things are good, say, “Well, let's drop the tax because we don't need the money, look, we've got all this money in the pot,” and then they wind up having to borrow.

Ms. OATES. Congressman, you are exactly right. I mean the—some states were just hit extraordinarily hard. And no matter what they would have done, states like Michigan probably would have been hit, no matter what. But the vast majority of the states, unlike your home state of Washington, did lower business taxes, you know, without thinking about what would happen, and let their trust funds get disproportionately low.

I think that is the concern that the Department of Labor has with funding any of these innovations with trust fund money. We think trust fund money should be sacrosanct. It should be held there for the future, and not used to fund novel ideas. That is why we think the President is right in asking for additional money to fund these innovations that we would do as voluntary options under UI.

Mr. McDERMOTT. The thing that I would like you to also talk about is the National Bureau of Economic Research has recently



done a study on this question about the moral degeneracy that comes from unemployment insurance. What is their conclusions of that report that were just released?

Ms. OATES. Yes. They basically find it is completely unfounded in research. There is nothing to say that there is anything about unemployment insurance that depresses people's desire to work, or anxiousness to work.

Mr. McDERMOTT. And the plan—the Georgia Works plan, how did that work? Did it—was it successful?

Ms. OATES. Well, actually, Congressman, as I said before you got here, they didn't use our money, so we don't have a lot of good data on it. They used other state money. And quite frankly, right now they are running out of money, and the program is kind of dissolving.

In terms of successful, looking at their outcomes in Georgia against regular outcomes using just regular Wagner-Peyser services, they did get about—a third of their people did find jobs. But if you just used Wagner-Peyser services, twice as many people got jobs.

Mr. McDERMOTT. And today what is the number of people looking for jobs, as compared to the number of jobs available?

Ms. OATES. Sixteen million full-time unemployed, and another six to seven million who are working part-time who are looking for full employment, and about three million jobs available.

Mr. McDERMOTT. So you are talking 22 million people looking for 3 million jobs?

Ms. OATES. That is correct.

Mr. McDERMOTT. So, even in the best of circumstances, there are going to be a lot of people who are going to be in the situation that Mr. Crowley was describing.

Ms. OATES. Especially if they are in urban areas or rural areas, they are mostly high-impact areas.

Mr. McDERMOTT. Now, this is a little out of your neighborhood, but if you are an unemployed worker, and you have reached 99 weeks, you have got nothing left.

Ms. OATES. That is correct.

Mr. McDERMOTT. And you have lost your health care benefits. What are you entitled to, as an American in this society, besides food stamps?

Ms. OATES. Food stamps, possibly you could go to the housing authority and get a housing voucher, but there is a long line in most areas for that. And the charity of your faith-based or community-based organization.

Mr. McDERMOTT. So we are basically saying to the middle class that have been unemployed for how many weeks, you said? What is the percentage?

Ms. OATES. Forty-four percent have been unemployed more than twenty-six weeks.

Mr. McDERMOTT. So you now have no more unemployment benefits, and you are middle class yesterday, and today you are with food stamps.

Ms. OATES. Correct. And kids in college with student debt, and kids going to K-12 school that need books and supplies. Absolutely, sir.

Chairman DAVIS. Thank you. The gentleman's time has expired. The chair would like to recognize Mr. Boustany from Louisiana for five minutes.

Mr. BOUSTANY. Thank you, Mr. Chairman. Welcome. Good to see you.

I have some concerns about the static nature of the statistics that the gentleman from Washington laid out. And I think the job market is much more dynamic than what the statistics would lay out.

But, you know, in thinking about the purpose of unemployment benefits, clearly they are designed to provide financial support while an individual looks for another job. That is really the purpose. And none of us on this side of the aisle will deny the importance of the program for those who find themselves stuck in a situation—I mean we have all supported the extension of this program, I know we have worked with our chairman to do this.

But consistent with the purpose of the benefit, should there be a requirement that UI recipients must search for work every week, with only very few limited exceptions, perhaps for those expected to return to a former job? I mean is that—

Ms. OATES. Congressman, each state law is slightly different. But every state law has a requirement for work search.

Mr. BOUSTANY. Well, I know there is a requirement in the federal extended benefits program. That is correct, right?

Ms. OATES. We follow state law with that. Yes, sir.

Mr. BOUSTANY. Right, right, right. And—but with regard to the state UI program which pays benefits when people first become employed, I mean is there a requirement?

Ms. OATES. Yes, sir. Every state law has a requirement on their initial benefits, as well.

Mr. BOUSTANY. Could you provide us where in statutes that—

Ms. OATES. In each state law, sir?

Mr. BOUSTANY [continuing]. Is the case? Because I am—I don't think that is the case.

Ms. OATES. Well, we work closely with Louisiana and Commissioner Isen. We know what the work search is in Louisiana. So we can provide you that state law. I am happy to provide whatever it is to other committee members.

But it is a requirement for active beneficiaries to work—to search for work. In some states the requirement has a numerical, so you have to have at least three evidences of looking for work. In some states it is as small as one evidence. In many of them you do it electronically. In some states you do it by returning a card. And in some states, you still, at certain points, have to come in and, face to face, meet with a—

Mr. BOUSTANY. Because bottom line is we need to make sure the program is working. I know someone earlier asked the question about overpayments. And, you know, being chairman of the Oversight Subcommittee on Ways and Means, I am concerned about making sure these programs are working to the best that we can assure, you know, within the law that they are.

And I am very concerned that the work requirement issue is something we need to probably take a closer look at to make sure

that, you know, this is really the case. Because I mean I have heard a lot of anecdotal evidence back home, talking to employers, where someone will call and ask, "Do you have any job openings?" And they will say, "Well, yes, why don't you come in, send a resume, come visit with us," and they will say, "Oh, no, I just had to do this because it meets the requirement under the unemployment insurance benefit."

And I want to make sure that we are doing what we can to make sure that this program is working, that the intent of providing a bridge to getting people back into the workforce is what is really happening. And, I mean, shouldn't the work requirement be at least as strong in week 1 as it is in, you know, week 99?

I mean there should be an incentive all the way through this process to get people to really do the job of getting out there and looking for work. Because there are jobs. I mean I think we have got a dynamic labor market, even with high unemployment and all the problems. I talk to employers all the time who are struggling to find workers.

In my state, in Louisiana, we have got a lot of folks, a lot of businesses related to agriculture, farmers. Mr. Reed was mentioning this earlier. We have got seafood processing plants. They are looking for jobs [sic]. They are coming to me and saying, "Can you do something about the H2B visa program? We need more workers." And yet we have got, you know, high unemployment of Americans here in this country.

There is a disconnect, and somehow we have got to get to the bottom of it. And I think at the heart of this could be understanding what steps we need to take to do the best we can with this work requirement. And I would like your comments.

Ms. OATES. Well, you know, this is a balance. As I said, we do this program in collaboration with the states. And I think all of us have a great respect for the states' critical role in this program.

So, rather than going in and saying, you know, we are going to overrule state law on work search, what this proposal has done is mandated for anybody getting EUC, when you decide to extend it, what—we will mandate both the re-employment assessment and the re-employment services. That gets to the same thing as work search. It means that, face to face, somebody has got to come in, not just handing in a card, not just mailing something in. They have got to talk to somebody, they have got to understand why it is important to take a job when it is offered, because we don't know what the future is going to deliver.

So, I think if we talked about this, Congressman, we would probably agree that, right now, the best role we could take is to make sure that we are really mandating the RES and the REA. And, in the future, in terms of what this committee and the Senate would choose to do in underlying UI law, if you wanted to look at creating some kind of national standard for a work search requirement, I think we would be willing to provide you technical assistance on that, and work with NASWA.

Chairman DAVIS. Great, thank you very much. The——

Mr. BOUSTANY. We may need to look at that. Thank you.

Chairman DAVIS. Thank you. The gentleman's time has expired. Secretary Oates, thank you very much for joining us today.

Ms. OATES. Thank you. Thank you so much, Chairman.

Chairman DAVIS. We look forward to a continued dialogue. And that will conclude our second panel. If Members have additional questions, they will submit them to you in writing, and we would appreciate your responses for the record. This concludes the second panel. Thank you.

[Pause.]

Chairman DAVIS. For our third panel we are going to be hearing from Maren Daley, Executive Director of Job Service North Dakota; Dawn Deane, an unemployed person from Philadelphia; Don Peitersen, Director of Unemployment Insurance/Workforce Project at the American Institute for Full Employment; and Chris McConnell, workforce consultant with AlliedBarton Security Services.

Before we go to—one special introduction. I would like to make a statement. We have been informed from the whip's office there is going to be a very long series of votes that is going to go in the next 15 to 20 minutes. I think we are going to have about 20 to 25 minutes before we go. I would rather not having you all standing in limbo for 90 minutes, while the floor process works itself out.

Because of this, if we have time for questions we will begin questions. But what I would like to ask your indulgence is if our Members—and I know several will have questions, including me—if we could submit those to you in writing, and those could be responded to in writing, and we will make sure that they are part of the permanent record on this. And I appreciate very much your time coming in to deal with this very critical issue. So thank you.

With that, before we proceed with testimony, I would like to recognize Mr. Berg to introduce his colleague from his home state.

Mr. BERG. Well, thank you, Mr. Chairman. I would like to introduce Maren Daley, who is our first witness here on this panel. And she is executive director of Job Service for unemployment in North Dakota. It is a cabinet-level department. She administers these programs. In fact, we worked together a long time—for the last 20 years—and so I am just excited to have her here.

And kind of again, my hope is that we will pull some of these ideas at the state level that are working at the state level, and try and create a federal program that creates incentives for the right kind of things to get people back to long-term work. So thank you, Mr. Chairman.

Chairman DAVIS. Thank you very much. Ms. Daley, you can proceed with your testimony.

#### **STATEMENT OF MAREN L. DALEY, EXECUTIVE DIRECTOR, JOB SERVICE NORTH DAKOTA**

Ms. DALEY. Thank you. Chairman Davis and Ranking Member Doggett and Members of the Subcommittee on Human Resources, thank you for the opportunity to testify on the President's proposals to help the long-term unemployed.

As Congressman Berg introduced me, I am Maren Daley with Job Service North Dakota, the state workforce agency that administers the unemployment insurance, labor exchange, and labor market information services.

The Workforce Investment Act, Wagner-Peyser, and unemployment insurance programs are fully integrated within Job Service's

one-step career centers. This seamless delivery system improves the transition of UI claimants to re-employment.

A basic principle embraced by all states is rapid, effective re-employment of unemployed workers is critical to the economic well-being of individuals, families, and employers which, in turn, support the local and national economies.

I am encouraged to see a variety of options included in the President's proposal, but I encourage even more flexibility in this realm. By allowing maximum flexibility, states are able to implement strategy specific to the needs of their state, ultimately providing for faster economic progress with a more efficient use of tight resources.

North Dakota's low unemployment continued job and wage growth among many other factors make North Dakota unique. However, they do not shield us completely from re-employment struggles. While we have thousands of good jobs available, the skill sets of the worker base and, in many cases, the location of these individuals, do not always correspond with the available jobs.

Examples of our re-employment successes are readily available, and I would like to outline one of the more successful cost-effective approaches we have taken. I should note that this program could not have been undertaken without federal funding resources. And this is the type of situation in which the President's proposal and each state's intimate knowledge of the workforce needs of their own state can converge.

There is strong competition for jobs available in North Dakota. And one of our primary goals is to help UI claimants be competitive contenders for these jobs. To this end, we have had excellent results in the past with our re-employment eligibility assessment program. REA focuses on individual case management services, and creates an environment of coaching and support for discouraged unemployed workers.

Springboarding off the success of the REA program, we developed a series of workshops focused on intensive re-employment activities and focused individual activities. These workshops were funded by Wagner-Peyser RES dollars through the American Recovery and Reinvestment Act. The workshops were four days long, and required a major time commitment from UI claimants.

The workshops consisted of one day devoted to basic computer skills training and three days addressing skills identification, exploration of jobs to which the claimant's skills would be transferrable, effective job searches, writing good resumes and cover letters, and interviewing. All participants completed the workshop with an updated resume, a new understanding of how their skills could be transferred to another position, and with the confidence gained through a practice interview exercise.

We have solid statistics proving the success of the workshops. The statistics showed a significant reduction in the time that the workshop participants spent on unemployment, compared to the overall UI claimant duration in North Dakota. During the same period, the average claimant duration was 11.28 weeks. While this number is good compared to the rest of the country, the individuals that attended the workshops returned to work, full-time work, in

7.32 weeks, on average. This is an improvement of almost four weeks, and this represents significant savings to the UI trust fund.

Many things have been tried on a national basis. Some of them have been successful, and some of them not. In North Dakota, our UI claimants have greatly appreciated the availability of EUC benefits. These benefits have been a game-changer for some. However, it could be argued a large portion of the EUC benefits paid in North Dakota could have been more effectively spent on focused re-employment efforts.

Typically, under federally-funded extended benefit programs, a minimum work search requirement exists. However, the 2008 EUC program does not require this, and instead provides that state law and policy regarding work search requirements be followed.

In North Dakota we have a large seasonal workforce that faces temporary lay-offs over the winter, particularly in the construction industry. Because of this, our UI laws and policies are different than that would be seen in many other states. What this has led to is 24.75 million, or 43 percent of the extended benefits paid in North Dakota have gone to eligible UI claimants who will be returning to employment after a temporary lay-off. In essence, these individuals have not faced a change in their normal employment status.

I have submitted my written testimony. Mr. Chairman, I see my time is up. And I would invite you to check out the written testimony——

Chairman DAVIS. Yes.

Ms. DALEY [continuing]. For a unique cost-effective, simplified work-share program that North Dakota has used. Thank you.

[The prepared statement of Ms. Daley follows:]

**\*\*\* THIS TESTIMONY IS EMBARGOED UNTIL \*\*\***  
**\*\*\* October 6, 2011 at 9:00 A.M. \*\*\***

Testimony of Maren L. Daley  
Executive Director, Job Service North Dakota

Before the  
Subcommittee on Human Resources  
Committee on Ways and Means  
United States House of Representatives

Hearing on the President's Proposals to Help  
the Long-term Unemployed  
October 6, 2011

\*\*\* THIS TESTIMONY IS EMBARGOED UNTIL \*\*\*  
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Chairman Davis, Ranking Member Doggett, and members of the Subcommittee on Human Resources, thank you for the opportunity to testify on the President's proposals to help the long-term unemployed.

I am Maren Daley, Executive Director of Job Service North Dakota (JSND), the state workforce agency that administers the unemployment insurance, labor exchange and labor market information services for North Dakota. The Workforce Investment Act, Wagner-Peyser and Unemployment Insurance (UI) programs are fully integrated within Job Service's One-Stop Career Center system. This seamless service delivery system improves the transition of UI claimants to reemployment.

While I see value in many of the items targeting the reemployment of unemployed workers, and commend the additional flexibility found within the President's proposal, I see a need for even greater state flexibility in relation to reemployment activities. Each state is unique and has varying needs. I would also note that each state has great expertise in assisting individuals in gaining employment, but we are often confined to one-size fits all or one-size fits most approaches.

#### **Principle**

A basic principle embraced by all states is rapid, effective reemployment. Reemployment of unemployed workers is critical to the economic well being of individuals, families, and employers which in turn support the local and national economies.

I am encouraged to see a variety of options such as the Bridges to Employment, Self-Employment Assistance, and Wage Insurance included within the President's proposal, but I encourage even more flexibility in this realm. By allowing maximum flexibility, states are able to implement strategies specific to the needs of their state, ultimately providing for faster economic progress with a more efficient use of tight resources.

To provide an example of the need for flexibility in reemployment activities, I need only look out of my office window at home in North Dakota.

#### **North Dakota's Current Employment Environment**

North Dakota stands in direct contrast to the rest of the nation in relation to economic growth and the opportunities for employment. We are experiencing a period of growth and prosperity. To emphasize this fact, please consider the following:

- North Dakota's annual average unemployment rates continue to be significantly lower than the nation ranging from 3.1% in 2007 and 2008 to 4.3% in 2009.
- In August 2011, North Dakota's seasonally adjusted rate was the lowest in the nation at 3.5% compared to 9.1% nationally.



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- From 2005 to 2010:
  - North Dakota private sector employment expanded 9.6% from 269,700 to 295,700. The nation contracted 4.1% during this period.
  - In percentage terms, the gain in North Dakota was led by the Mining and Extraction industry at 158.5%. Nine industries had double digit increases.
  - Annual average covered wages rose 27.3% or \$8,172 from \$29,956 to \$38,128. North Dakota's annual average covered wage rose from 73.6% to 81.6% of national levels.
  - Median family income in ND rose from 95% of the national level in 2005 to now exceed national levels at 107.6%
- North Dakota's unemployment insurance trust fund and program is sound. The taxable wage base, employer tax rates and unemployment benefit levels are indexed within state law providing for needed economic adjustments. Average tax rates for North Dakota were .57%; lower than the national average of .67% in 2009 (the most recent year published). North Dakota ranks fourth in the nation in terms of the average weekly benefit amount as a percentage of the average weekly wage according to the most recently published 2011 data.
- North Dakota has jobs; in August there were 16,435 open and available positions posted on JSND's website - jobsnd.com. These job openings are across all occupational groups and career levels and across all geographic areas of the state. Oil and Gas producing counties account for approximately one-third of the job openings.

These factors, among many others, make North Dakota unique. However, they do not shield us completely from reemployment struggles. While we have thousands of good jobs available, the skill sets of the worker base and in many cases the location of these individuals does not always correspond with the available jobs.

We have attempted to address the unique situations we face by tailoring our services to the needs of the state. However, we don't have the resources to effectively roll out our extremely successful approaches to as wide a group as we would like.

Examples of our reemployment successes are readily available within North Dakota, and I would like to outline one of the more successful and cost effective approaches we have taken. I should note that this program could not have been undertaken without federal funding resources. The approach was North Dakota's idea, but was supported by federal dollars. This is the type of situation in which the President's proposal and each state's intimate knowledge of the workforce needs of their own state can converge.

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#### **Intensive Reemployment Workshops**

There is strong competition for the jobs available in North Dakota, and one of our primary goals is to help UI claimants be competitive contenders for these good jobs. To this end, we have had excellent results in the past with our Reemployment Eligibility Assessment (REA) program. North Dakota has participated in this USDOL program since 2005, and we have gained great knowledge and experience in developing this program. REA focuses on individual case management services and creates an environment of coaching and support for discouraged unemployed workers. Another key item identified through our experience with REA was that by focusing on skills gaps, and more importantly, skills transferability, we have been able to assist individuals in becoming successfully reemployed. We are strong supporters of the REA program, and hope that the USDOL is provided the opportunity to continue funding this successful program.

Spring-boarding off of the success of the REA program, we developed a series of workshops focused on intensive reemployment activities and focused individual services. These workshops were provided across North Dakota and were funded via Wagner-Peyser RES dollars through the American Recovery and Reinvestment Act. The workshops were four days long and required a major time commitment from UI claimants.

The workshops consisted of one day devoted to basic computer skills training and three days addressing skills identification, exploration of jobs to which the claimant's skills would be transferable, effective job searches and applications, writing good resumes and cover letters, and interviewing. All participants completed the workshop with an updated resume, a new understanding of how their skills could be transferred to another position, and with confidence gained through a practice interview exercise.

Feedback and evaluations from claimants who participated in these workshops sent a strong message that this was time well spent. But even more important, we have solid statistics proving the success of the workshops. The statistics show a significant reduction in the time that workshop participants spent on unemployment compared to the overall UI claimant duration in ND.

During the same period, the average claimant duration was 11.28 weeks. While this number is good when compared to the rest of the country, the individuals that attended the workshops returned to full time work in 7.32 weeks on average. This is an improvement of almost four weeks. In terms of UI benefits, this is a savings of \$1,248 per claimant on average (4 weeks x the average weekly benefit amount of \$312). In a typical year, pre-2009, North Dakota, has about 18,000 individual UI claimants. If 30% of these individuals were not job attached, we would save on average \$6,739,200 per year. Prior to 2009, North Dakota's average yearly benefit payout was approximately \$50 million, meaning that we would be recognizing a UI Trust Fund

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savings of 13.5% per year, if we were able to implement this intensive reemployment workshop statewide and continue to operate it going forward.

Requiring UI claimants who are not subject to callback by their employer to do job searches is a given; but these workshops helped provide UI claimants an edge to become better job candidates, and that achieved faster reemployment.

**The President's Proposals to Help the Long-Term Unemployed - Allowing State Flexibility to Develop a Plan Best Suited to Meet the State's Needs**

It is clear in reviewing the President's proposal that there are several options available. Even so, the options provided can still serve to create a box from which a state must operate. I would strongly encourage the approach of allowing states to tailor their approaches to reemployment based upon the needs of the state, while adequately supporting the states via funding and resource allocations. The successes we have encountered in North Dakota would not have been possible without the flexibility to create and operate a program that maybe did not fit the normal confines of reemployment activities. Importantly, we would like to continue to provide these successful services, and to expand the program to include EUC claimants. In order to do this, further flexibility to focus resources in these areas would be ideal.

An underlying theme of my testimony today has been the need for flexibility, and the desire to be empowered to assist the unemployed of my state in the most effective way possible. Many things have been tried on a national basis, some of them have been successful, and some of them not. In North Dakota, our UI claimants have greatly appreciated the availability of EUC benefits, a program implemented nationwide, without differentiation between states. These benefits have been a game changer for some; however, it could be argued that a large portion of the EUC benefits paid in North Dakota could have been more effectively spent on focused reemployment efforts.

To qualify this statement, let me provide you with some detail on the EUC program. In North Dakota, because of our low unemployment rate, the maximum number of benefit weeks available under EUC is 60. Typically under federally funded programs, a minimum work search requirement exists, however, the EUC program implemented in 2008 does not require this, and instead provides that state law and policy regarding work search requirements be followed. In North Dakota, we have a large seasonal workforce that faces temporary layoffs over the winter, particularly in the construction industry. Because of this, our UI laws and policies are different than what would be seen in many states. What this has led to is that \$24.75 million, or 43% of the EUC benefits paid in North Dakota, have gone to eligible UI claimants who will be returning to employment after a temporary layoff. In essence, these individuals have not faced a change in their normal employment status.

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Although it cannot be said exactly what would have been done differently in North Dakota, if state flexibility had existed under the EUC program, a different approach may have been utilized to assist the unemployed. \$24.75 million would go a long way to providing intensive reemployment workshops, retraining programs or other activities.

One last example of the need for flexibility that I would like to raise is based upon the President's proposals to implement worksharing programs nationwide. I would agree that workshare programs can be an effective tool in preventing layoffs, but there are various approaches that can be taken in addressing this type of program. In North Dakota, we have a simplified version of worksharing that is easier to implement and manage, and I believe is ultimately very cost effective.

North Dakota legislators passed a bill to allow UI claimants to earn up to 60% of their weekly UI benefit amount from employment without any reduction in their weekly UI benefit payment; thereafter, additional earnings do reduce the UI benefit. While this is a higher earnings disregard than what is allowed in most states, it allows employers to reduce worker hours when necessary without permanent layoffs. This approach keeps UI claimants attached to the labor market, and enables them to keep their skills current. It also allows employers to reduce hours when necessary and still retain a qualified, trained workforce. For North Dakota, the higher earnings disregard is less expensive to administer than worksharing, because we did not have to reprogram our mainframe computer, which is an expensive process. Additionally, there is less administrative tracking of income earned and computations for benefits paid. This approach is also easier for the employers of our state. Although I understand that this approach may not work in every state, my point is that many of the proposals are meritorious, but states have to discern what works best for their circumstances.

My recurring theme today has been that the most effective solutions are not one size fits all. I greatly appreciate the message of flexibility we have heard in connection with the President's proposals along with the opportunities offered for states to participate in innovative and vigorous reemployment projects. Correspondingly, I would encourage the proposed funding not be on a program by program basis, but on the overall ability of a state's reemployment plan to address the needs of the state.

Chairman DAVIS. We appreciate your insights, especially the written testimony. It was quite illuminating. And thanks for your hard work up there.

Now the chair recognizes Ms. Deane for her remarks.

**STATEMENT OF DAWN DEANE, UNEMPLOYED WORKER FROM  
PHILADELPHIA, PENNSYLVANIA**

Ms. DEANE. Chairman Davis, Ranking Member Doggett, and distinguished Members of the Subcommittee, thank you for inviting me here today. My name is Dawn Deane, I am a resident of Philadelphia, Pennsylvania.

Since June of this year, and like so many others these days, I am unemployed through no fault of my own, and supporting myself and my nine-year-old daughter on unemployment insurance. Too often these days, unemployed Americans like me are reduced to either statistics or stereotypes. We don't have names and faces. We are either 1 of 14 million who are out of work, or we are lazy people, happy to sit home collecting unemployment, rather than actively looking for jobs.

But I am not just a statistic, and I am not lazy. For the past 20 years, I have worked in the field of human resources, and I have held my 3 previous jobs for 7, 8, and 3½ years. In spite of all my hard work, right now I am unemployed. Thankfully, I am able to receive unemployment insurance benefits, which are what is sustaining me and my daughter, while I diligently look for new work.

As a human resources professional, I am very aware of how to diligently and strategically search for a new job. And I am doing just that. Like tens of millions of other Americans each day, I engage in a thorough and multi-faceted search for employment. And I have been doing so since I lost my job in June.

I have registered my resume with all of the major websites, and I have applied for approximately 40 jobs so far. In addition, I have attended four different career fairs since being laid off. And through them I have applied for about 50 additional jobs. I have yet to hear from a single employer from any of these applications.

I also understand the importance of networking, so I have reached out to all of my friends and former colleagues, asking for their assistance in finding a new job. I have gone to my local one-stop career center to look for open jobs. I have visited and/or contacted the offices of city council and state representatives to see if they have any resources for their constituents who are searching for jobs.

I am not only applying for jobs in my field, I am looking more widely for all sorts of administrative jobs, just because I want to work and support my daughter and myself.

Because I know that I am not the only one in this situation, and because I have skills to offer others who are struggling with unemployment, I also volunteer at a local community center and church, helping others with their job searches.

Finally, I am auditing a course at Villanova University that will prepare me to take an exam to receive a professional human resources certification, hopefully enhancing my value to the job-market.

Right now I thank God for unemployment insurance, because it is allowing me to keep up with my mortgage and provide the bare necessities of food and transportation. I lived well within my means when I was working. But even our modest lifestyle is a challenge now. I could not afford to keep up with health insurance right now. My daughter and I have no coverage, which is very frightening.

I am working with a housing counselor to see if I can restructure my mortgage and lower the monthly payments. I have applied for a subsidy to pay my monthly gas bill and electric bills. I have had to stop my daughter's extra-curricular activities, like dance class, which she loved, and was not able to buy many back-to-school supplies or clothes for her. And I am looking for other ways to continue to scale back on our expenses, even though I have already eliminated everything that isn't strictly necessary already.

Until I find new work, unemployment insurance is our necessary source of income. My state benefits began in June, and will end in December. And while I hope that I have a new job before the end of the year, the absolute lack of any success I have had so far really worries me.

Thus, while I do not want to have to receive federal unemployment insurance benefits, with the unemployment rate so high right now I just don't see how Congress can even think about letting these important programs expire. If they do, my daughter and I and millions of other families like us might have no safety net, no life line in the new year. Quite simply, reauthorizing these important federal unemployment insurance programs is simply the single most important thing for this Congress to do right now, along with making some real efforts to create good jobs for millions like me, who just want to work.

Thank you for your time today.

[The prepared statement of Ms. Deane follows:]

**TESTIMONY OF DAWN DEANE**  
**UNITED STATES HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON WAYS AND MEANS**  
**SUBCOMMITTEE ON HUMAN RESOURCES**  
**OCTOBER 6, 2011**

Chairman Davis, Ranking Member Doggett and distinguished members of the Subcommittee, thank you for inviting me to be here today. My name is Dawn Deane, and I am a resident of Philadelphia, Pennsylvania. Like so many others these days, I am unemployed through no fault of my own and supporting myself and my nine-year-old daughter on unemployment insurance. I lost my job in June of this year, and in spite of a strong professional background, I have yet to have even one potential employer show any interest in interviewing me for a new job.

Too often these days, unemployed Americans like me are reduced to either statistics or stereotypes. We don't have names and faces – we're either one of 14 million who are out of work, or we're lazy people, happy to sit home collecting unemployment rather than actively looking for jobs. But I am not just a statistic and I am not lazy.

I am a 49 year old single mother of two. My son is 23 years old and he recently graduated from the University of Pittsburgh and is fully employed and living on his own. My daughter lives with me and I receive child support from her father, my salary was our primary source of financial support. For the past twenty years, I have worked in the field of human resources and I have a proud history of longevity on the job, holding my three previous jobs for seven, eight and three-and-a-half years. And in spite of all my hard work, right now, I am unemployed. Thankfully, I am able to receive unemployment insurance benefits which are what is sustaining me and my daughter while I diligently look for new work.

As a human resources professional, I am very aware of how to diligently and strategically search for a new job, and I am doing just that. Unfortunately, my professional background also makes me aware of how bad it is out there for the unemployed. Like tens of millions of other Americans, each day, I engage in a thorough and multi-faceted search for new employment, and have been doing so since I lost my job in June. It is very tough, but I am confident in my abilities and confident that my job-search efforts will eventually be successful.

I have registered my resume with all of the major websites like Career Builder, Monster, Indeed, and SHRM. Through those sites and other job announcements I have applied for approximately 40 jobs so far. In addition, I have attended four different career fairs since being laid-off, and through them, have applied for about 50 additional jobs. I have yet to hear from a single employer from any of those applications. I also understand the importance of networking, so I have reached out to all my friends and former colleagues asking for their assistance in finding a new job. I've gone to my local One-Stop Career Center to look for open jobs, and have visited and/or contacted the offices of my city council and state representatives to see if they have any resources for their constituents who are searching for jobs. I am not only applying for jobs in my field, but am looking more widely for all sorts of administrative jobs because I want to work and support my daughter and myself.

Because I know that I'm not the only one in this situation, and because I have skills to offer others who are struggling with unemployment, I also volunteer at a local community center and church helping others with their job-searches. Finally, I am auditing a course at Villanova University that will prepare me to take an exam to receive a Professional Human Resources Certification, hopefully enhancing my value on the job market. As you can see, I am certainly not lazy and am using this time to both better myself and try to help others who are in the same situation, all the while diligently looking for a new job and taking care of my daughter.

But, as I said, so far the job search has been difficult. The job market is weak, which of course means the Human Resources field is especially weak. And while I am looking for jobs in other fields, as you all know, the best chance of success in the job market is usually in the field in which you have done most of your



work, so although I am willing to work in a broad array of jobs, the odds of me getting them are small. But I keep applying anyway.

Right now, I thank God for unemployment insurance, because it is allowing me to keep up with my mortgage and provide the bare necessities of food and transportation. I lived well within my means when I was working, but even our modest life-style is a challenge now. I could not afford to keep up health insurance so right now, my daughter and I have no coverage, which is very frightening. I am working with a housing counselor to see if I can restructure my mortgage and lower the monthly payments. I have always wanted to become a home owner and own my little piece of America and 10 years ago, I purchased a home that was well within my means. If I can't maintain my mortgage I will not have any other way of saving my home since the Homeowner programs such as HEMAP have been cut as well. I have applied for a subsidy to pay my monthly gas and electric bills, have had to stop my daughter's extra-curricular activities like a dance class she loved, and was not able to buy many back-to-school supplies or clothes for her. When I lost my job, I originally cancelled our cable and internet service in the home but I soon realized that I needed internet to really search for jobs effectively so I've re-established bare-bones service, but I am looking for other ways to continue to scale back on our expenses even though I've already eliminated everything that isn't strictly necessary already.

Until I find new work, unemployment insurance is our necessary source of income. My state benefits began in June and will end in December, and while I hope that I have a new job before the end of the year, the absolute lack of any success I've had so far really worries me. Thus, while I don't want to have to receive federal unemployment insurance, with the unemployment rate so high right now, I just don't see how Congress can even think about letting these important federal programs expire. If they do, my daughter and I, and millions of other families like us, might have no safety net—no lifeline in the new year.

Quite simply, reauthorizing these important federal unemployment insurance programs is simply the single most important thing for this Congress to do right now, along with making some real efforts to create good jobs for the millions like me who just want to work. Thank you for your time today.



Chairman DAVIS. Thank you very much, Ms. Deane.  
Mr. Peitersen.

**STATEMENT OF DON PEITERSEN, DIRECTOR OF UNEMPLOYMENT/WORKFORCE PROJECT, AMERICAN INSTITUTE FOR FULL EMPLOYMENT**

Mr. PEITERSEN. Chairman Davis, Ranking Member Doggett, and Members of the Committee, thank you for this opportunity to testify. The American Institute for Full Employment is a non-profit think tank. We consult with states and specialize in wage subsidy designs similar to the Bridge to Work program. We applaud the Obama Administration and the Republican leadership for their bipartisan interest in turning an unemployment support into an employment support.

This testimony addresses two pieces of the legislation, the Bridge to Work and state flexibility. Briefly, we think Bridge to Work has great promise, but should be modified as follows: eliminate the employer mandate; simplify it by letting employers pay the full wage; increase the subsidy from 8 to 13 weeks; let states help claimants earlier than 6 months; give states flexibility, but require return on investment; extend Bridge to Work to the regular UI program.

Half of our regular UI claimants go jobless for nearly 6 months, and three quarters of our emergency benefits claimants went jobless for another 10 months, even though we spent \$50 billion in emergency benefits alone in the last year trying to help them get back on their feet.

EUC wages claims averaged over \$9,000, a wage subsidy costs under \$4,000. The math is both obvious and compelling. We have studied UI's specific wage subsidy programs, plus Georgia Works.

First was Oregon's Jobs Plus program, operated for more than a decade. The program helped over 10,000 claimants. Over 80 percent of the participants landed jobs and saw an average wage gain of over 15 percent. Georgia Works is an employer-based training program that has been replicated in a handful of states. Claimants keep their benefit check while volunteering with an employer for up to 8 weeks, for a minimum of 24 hours per week. Over 10,000 job seekers have participated.

Texas Back to Work, launched in 2010, has received the U.S. DoL's innovation award for its program design. It is a subsidy of \$2,000 over 16 weeks. It has served over 20,000 claimants and over 3,000 employers. Sixty-three percent of the job seekers have been successfully placed. Earnings retention was 99.4 percent. And the program has been replicated in Utah and Nevada. These wage subsidy programs succeed because they provide real training in a real job, allow job seekers to gain a foot in the door. They are cost neutral or cost savers, and are economic development programs. Over 80 percent of the employers said it helped with cost capacity and/or expansion.

Based on our research in these programs, we offer four recommendations for Bridge to Work.

One, employers have repeatedly told us that simplicity makes or breaks a program. Bridge to Work has an employer mandate that none of the four state UI initiatives includes. It requires employers to hire claimants within 24 weeks of program participation. But

the core of any wage subsidy program is to encourage employers to take a chance on a job seeker that they would not otherwise hire. Our experience suggests that abuse is rare. We recommend eliminate the employer mandate to hire, and give states the flexibility to design program safeguards based on their own state needs.

Two, increase state flexibility to allow the wage subsidy to be up to 13 weeks, to match the 90-day probationary period used by many employers. This allows participants to learn higher-skilled jobs, and it gives state staff more flexibility to match workers with opportunities.

Three, eliminate the complication of two payers for the worker by paying the subsidy directly to the employer, and requiring the employer to give the worker a paycheck like any other new worker.

Four, the net cost of a wage subsidy program can determine whether it becomes a legacy or a loser. Timing of placement with the employer is key. The earlier the placement, the more weeks of benefits that can be saved. Unfortunately, the earliest Bridge to Work would start is about six months after a claimant lost their job, because that's when EUC begins. Early placement also helps claimants avoid costly unemployment spells that drain their savings. We recommend you allow states to offer Bridge to Work to claimants earlier than six months.

The Jobs Act includes two other provisions allowing states innovative program authority. We support state program flexibility, and recommend that when proposals are vetted, that return on investment is a requirement.

We also would allow—ask you to allow states to use regular benefits to fund a Bridge to Work program for their regular UI claimants with the improvements noted here.

We estimate that a modified Bridge to Work initiative can provide opportunities to 300,000 to 400,000 long-term UI claimants each year and, in doing so, save the Federal Government over \$1.5 billion and states \$270 million a year. It is important not to miss the enormity of the opportunity we have here. Thank you.

[The prepared statement of Mr. Peitersen follows:]

**AMERICAN JOBS ACT TESTIMONY****DON PEITERSEN****DIRECTOR OF UNEMPLOYMENT INSURANCE / WORKFORCE PROJECT  
AMERICAN INSTITUTE FOR FULL EMPLOYMENT**

Chairman Davis, Ranking Member Doggett and members of the subcommittee, on Human Resources, thank you for the opportunity to testify on the topic of President's proposals to help the long term unemployed.

I am Don Peitersen, Director of the American Institute for Full Employment's Project on Unemployment Insurance and Workforce. We are a nonprofit think tank studying, developing and consulting with state government on best practices in workforce, welfare and unemployment insurance programs.

Our team has consulted with more than 20 states over the past 17 years in a wide variety of program designs that have won several national awards. We have a special expertise in wage subsidy design and, since our founding, have been designing programs like the President's proposed Bridge to Work initiative including four state level experiments with wage subsidies specifically targeted to help reemploy Unemployment Insurance claimants.

We applaud the Obama Administration and Republican leadership for their bi-partisan interest in offering states, workers and employers flexibility to turn an unemployment support into an employment support.

This testimony addresses two notable pieces of the American Jobs Act: 1) Bridge to Work and 2) state flexibility under the "Additional Innovative Programs" and "Enhanced Reemployment Strategies" provisions. Throughout our written testimony, we identify opportunities for improvement and suggested solutions to improve outcomes in the proposed programs.

Briefly, we think the Bridge to Work program improves upon a number of approaches to help a portion of our millions of long term UI claimants and that it can be further improved in its effectiveness with the following adjustments:

1. **Eliminate the employer mandate** to guarantee a hire within 24 weeks and allow participating states to set employer terms that maximize outcomes in their state
2. **Simplify funding flow by letting employers pay the full wage** and receive a subsidy from the state
3. **Increase the flexibility in the subsidy from a maximum of 8 weeks to 13 weeks** (where cost neutral) to match the 90 day probationary period common with employers and to allow for more job creation in higher skilled jobs

4. **Give states the flexibility to help claimants earlier than six months** into their unemployment spells, as soon as the state can identify long term claimants and before they become more difficult to employ.

We also recommend that the innovation and reemployment strategies provisions of the American Jobs Act:

1. **Give states the flexibility to innovate where they can show a positive hard dollar return on investment** in their reemployment program proposals.
2. **Extend the Bridge to Work program to the regular UI program** as a first step for Congress in granting state reemployment program flexibility.

## OVERVIEW

**The Problem:** More than half of UI claimants in the U.S. remain unemployed and exhaust their regular benefits, receiving, on average, less than half of their former wage<sup>i</sup> to pay for food and housing, and quickly using what little savings they have. In the past year, nearly five million workers exhausted their claims, most of whom then began claiming federal emergency unemployment compensation.

Those exhaustees who claim federal benefits after their state claim remain unemployed for over one year and claim over \$16,000 total.<sup>ii</sup> Meanwhile states are asking where they can find money to incentivize job creation.

**The Options:** In broad terms, when a worker is permanently laid off and eligible for UI, Congress has three approaches in how the UI program can help them get back on their feet. It can pay them while they:

- Look for work
- Go back to school or
- Learn a new job with an employer

The third option has been somewhat unexplored with UI specific programs, due to the rigidity of program financing. However, the Bridge to Work proposal provides flexibility for states to pursue more impactful outcomes for our unemployed.

### The Solution: Bridge to Work in Brief

In short, Bridge to Work offers employers the opportunity to hire a subsidized long term UI claimant for up to eight weeks in a new job with the hope the claimant will gain new skills and be hired after the subsidy ends.

The subsidy would encourage employers to hire and train unemployed workers based on their capacity and willingness to learn a job, rather than excluding the workers simply because they don't have enough industry or occupational experience. It gives employers the opportunity to

defray training costs and gives both employers and job seekers the opportunity for a “test drive” with each other.

But can wage subsidies really help? According the W.E. Upjohn Institute for Employment Research, in a study on the subject, subsidized wage programs can be effective in increasing both the employment and the earnings of the disadvantaged.<sup>iii</sup>

We agree and believe the Bridge to Work program can help create hundreds of thousands of jobs in the US and, at the same time, help employers take a chance at growing their business. This testimony details our program research supporting that conclusion.

### **Funding Mechanism and Savings**

Bridge to Work’s target is long term unemployed workers eligible for federal Emergency Unemployment Compensation. To fund the program, Congress would allow states to use already committed EUC benefit dollars assigned to each participating UI claimant’s EUC account.

In the past two years, on average, claimants eligible for full EUC have claimed 30 weeks of benefits totaling over \$8,500 each. With effective wage subsidy programs costing less than \$4,000, the opportunity to develop winning strategies for reemployment and save badly needed program dollars is both obvious and compelling.

Bridge to Work could have little to no additional federal costs because the subsidy will be limited to the amount the claimant could have otherwise been paid under their EUC benefits (up to 8 weeks). Claimants who become reemployed (typically over 2/3 of participants in similar programs) will not claim additional extended benefits and will save federal funds by returning to work and ending their claims.

We estimate that, at capacity, Bridge to Work can save over \$1.5 billion in EUC dollars as well as \$270 million in regular UI trust fund dollars per year.

See Appendix A for a detailed savings analysis.

### **Historical Context**

Government subsidized jobs made their widespread debut in the US in the 1930s when President Franklin Delano Roosevelt announced the Works Progress Administration’s plans to help millions of unemployed job seekers go back to work in the middle of the Great Depression.

Since the New Deal, several modern-day subsidized jobs programs have developed. Bridge to Work is part of that greater family of programs, including: 1) the Work Opportunity Tax Credit, 2) the Workforce Investment Act’s (WIA’s) 1998 version of what has been known for years as OJT (On the Job Training) subsidies, 3) the Welfare to Work tax credit, 4) Temporary Assistance to Needy Families funded state wage subsidies for welfare claimants, 5) Emergency TANF wage subsidies under ARAA, 6) US Department of Labor’s 2010 grant for UI wage subsidy experiments 7) a handful of state-run wage subsidy programs for UI claimants and 8) a variety of other wage subsidy and tax credit programs.

All of these programs tend to serve job seekers who are not likely to be hired in the job market without some further incentive to an employer to invest in the job seeker.

#### UI Specific Programs

To our knowledge there have been four state-wide UI-specific wage subsidy programs in the US as well as a UI-supported job-based training program called Georgia Works. The more significant programs are summarized below along with their notable outcomes.

- **Oregon JOBS Plus.** For more than a decade, starting in the early 1990s, Oregon operated the first large scale UI-specific wage subsidy program, that helped over 10,000 UI claimants and created new jobs. Oregon's program showed clear evidence of not only improved employment results, but also a wage *gain* compared to similar nonparticipants. The program offered employers a \$5 per hour wage subsidy and targeted claimants who had earned \$15 or less in their prior job. Over 80% of participants landed jobs at program completion. And over 80% of surveyed participants said they approved of the program and would choose it again, if they could.
- **Georgia Works.** Georgia has adopted an employer-based training program for its unemployment claimants called Georgia Works which was replicated in a handful of states including: New Hampshire, Missouri and North Carolina. The program allows UI claimants to keep their benefit checks while they volunteer with an employer to gain job-based training for up to eight weeks. The program arranged workers compensation coverage through the state for participants and paid a stipend of \$120 to participants to cover incidental costs. The stipend was later increased to \$240. Through January of 2010, according to the Georgia Department of Labor, over 10,000 job seekers have participated. In that time, 6,105 people completed training and 3,363 landed jobs through the program. Another 1,170 job seekers landed jobs within the quarter after completing their training - a common benefit seen in similar programs.
- **Texas Back to Work.** Texas launched its Texas Back to Work program in February of 2010 and, that same year, it won DOL's Innovation Award for its innovative design. The program targets claimants who had earned \$15 per hour or less and has now served over 20,000 such claimants. The subsidy is \$2,000 for employers who hire a claimant for 16 weeks. The latest data shows over 3,000 employers participating, with 63% of job seekers successfully placed. For those completing the program nearly 80% were employed in the quarter following completion. Program earnings compared to previous job earnings were 99.4%. The Texas Back to Work model has since been replicated in Utah and Nevada.

#### Outcomes

Wage subsidy programs like Bridge to Work succeed for a variety of reasons. They:

- Provide on the job training that often teaches skills that can best be gained on the job
- Allow job seekers to gain a foot in the door with an employer for a low risk tryout for both the employer and the job seeker and
- When designed well, they can be cost neutral or a cost saver, using current funds in a more strategic way

**Job Seeker Outcomes.** Wage subsidy programs have also proven their value in a number of other measures. Programs we have studied have demonstrated the ability to achieve the following outcomes for job seekers:

- Job seekers employed immediately after participation > 80%<sup>x</sup>
- Job seekers employed within 3 months after participation = 79% - 98%<sup>iv</sup>
- Job retention at 1 year = 68% (vs. 58% for others)<sup>xi</sup>
- Wage gain over the year following participation > 15%<sup>v</sup>

**Employer Outcomes.** Employer outcomes have been strong as well, including economic development impacts:

- Small businesses (as well as large) have an opportunity for growth
- Number of employers who said program helped costs, capacity and/or expansion > 80%<sup>xii</sup>

#### National Activity

National policy makers have also been involved at many levels in developing subsidized job opportunities in recent years. Several notable initiatives have been:

- **US Department of Labor Grants.** In June 2010, the US Department of Labor issued an innovative National Emergency Grants program for On the Job training. Since then 42 states have applied for grants to begin a pilot wage subsidy program for UI claimants.
- **Congressional Efforts.** Under ARAA, Congress provided funding for on-the-job training for welfare (TANF) claimants through the TANF Emergency Funds.
- **Cochran-Shaheen Bi-Partisan Bill.** Senators Cochran and Shaheen introduced a bipartisan bill in June 2010 to expand Workforce Investment Act funds in a program somewhat similar to Bridge to Work under the guidelines of the WIA on-the-job training provisions. The bill is titled the On-the-Job Training Act of 2010 and would empower local workforce staff.
- **Senator Al Franken Bill.** Minnesota Senator Al Franken proposed a federal form of the 1980s Minnesota MEED program that offered wage subsidies to employers. In the 111th Congress, he introduced the Cash for Jobs bill and is proposing that Congress appropriate \$5 billion for wage subsidy programs.

### THE BRIDGE TO WORK DESIGN

The Bridge to Work proposal allows Unemployment Insurance ("UI") claimants to continue to collect their Emergency Unemployment Compensation benefits while working for an employer for 38 hours per week for up to 8 weeks. The initiative would also fund any extra amount needed to make the benefits match the level of the minimum wage and it also allows the state funds to arrange and pay for Workers Compensation coverage for program participants. In doing so, the concept is a mix between the Georgia Works program, a traditional wage subsidy program and a government works program.



**Comparisons - Georgia Works & Traditional Wage Subsidy Programs**

Bridge to Work is like Georgia Works in that it allows claimants to continue receiving unemployment benefit checks while learning a new job. But it differs from Georgia Works by adding traditional wage subsidy program elements.

The first wage subsidy element is demonstrated by how Bridge to Work squarely addresses wage and hour requirements of DOL. It treats EUC benefits as wages and in doing so, makes the initiative a wage subsidy program for pay rather than solely a volunteer training program. Under the Georgia Works training program, US DOL interpreted federal wage and hour minimum wage law to require that an employer, who gives a participant a chance to learn a new job can:

*"derive no immediate advantage from the activities of the trainees or students; and on occasion his operations may actually be impeded."<sup>vi</sup>*

Bridge to Work overcomes this problem of requiring employer participants to expect no immediate advantage by making the unemployment benefit and the employer's pay combine to become wages for purposes of wage and hour laws.

The second wage subsidy element of Bridge to Work is its requirement that employers to treat participating claimants like other workers by giving them a paycheck (if needed to meet minimum wage requirements). Bridge to Work is, however, unlike traditional wage subsidies for UI claimants in that it splits the pay to the worker between two sources - an unemployment check and a paycheck from the employer.

Last, Bridge to Work is like Georgia Works (but unlike traditional programs) in that it provides funds for states to purchase Workers Compensation for participating workers.

**Comparison to Tax Credit Programs**

Bridge to Work and the four state UI-focused programs are related to but different than most tax credit programs that target job growth in that they use a current funding stream more effectively to create savings to the underlying program. Wage subsidies also tend to allow local workforce staff to tailor each opportunity to match the individual and the employer involved.

Wage subsidies can involve more administrative costs than tax credits, but they also tend to support employer cash flow better by timing payments with actual expenditures, a feature important to small businesses in particular, where most job growth occurs. Despite the advantages wage subsidies may have, tax credit programs can also be a valuable way to accomplish similar goals if structured properly.

**OPPORTUNITIES TO IMPROVE BRIDGE TO WORK**

In making recommendations to improve the Bridge to Work program, we rely on our studies of the four *UI-focused* wage subsidy programs noted above - Oregon, Texas, Utah and Nevada - as well as the Georgia Works program. From these five programs and many other wage subsidy programs targeting other populations, we have learned the following keys to a well designed program.

Consider carefully how attractive a program must be to gain momentum with employers. Attractiveness of program design can affect: 1) how much the state must spend on administrative costs such as marketing to employers and 2) how likely the subsidy is to actually incentivize an employer to provide a new opportunity and training, rather than simply providing a subsidy for hiring a jobseeker an employer would have hired without the subsidy. Three primary attractiveness opportunities follow:

**1. Keep it Simple.** One key question for any program hoping to attract employers to voluntarily participate is its simplicity. Subsidy simplicity can be driven by a number of factors, including the nature and number of mandates and documents involved. In our work in the field, employers we have interviewed have repeatedly told us that simplicity of requirements and paperwork are the top reason they might participate in one program, but not another.

Bridge to Work includes an employer mandate that none of the four state UI experiments or WIA's OJT included. It requires employers to hire a claimant within 24 weeks of the employer's participation in the program. It seems to suggest that a mandate is needed to guard against employer abuse and/or to guarantee outcomes.

Section 324 (j) of the Bridge to Work proposal provides that:

*"If, after 24 weeks of participation in the program, an employer has not made an offer of suitable long-term employment to any individual described under subsection (c)(1) who was placed with such employer and has completed the program, **a State shall bar** such employer from further participation in the program. States may impose additional conditions on participating employers to ensure that an appropriate number of participants receive offers of suitable long term employment."* [emphasis added]

While permanent hires are a good post-program measure of success, they are poor as a pre-program mandate. The core of any wage subsidy program is to *encourage employers with a financial incentive to take a chance on a job seeker who the employer would not otherwise give an opportunity.*

As written, the restriction does appear (intentionally or unintentionally) to include a loophole. Employers who have a participant who is not working out may simply terminate the participant one day before they have "completed the program" and their try out ends to avoid the onerous mandate of keeping an employee who is not working out or being barred from giving any other job seekers a chance under the program.

The loophole could make the provision workable for employers who understand it, but will likely have a chilling effect on employer participation, driving up marketing costs to recruit employer participants in Bridge to Work and threatening the cost effectiveness and variety of job seeker opportunities in the program.

Our program experience suggests that: 1) employer abuse is not normally problematic, 2) a hiring mandate may have no positive impact on outcomes and 3) there are better ways to guard against the possibility of employer abuse.

**Program Abuse is Rare.** According to our interviews of Oregon agency staff over many years, the program experienced very little employer abuse in its decade of operation. Georgia and Texas staff also have indicated that they have procedures to review employer abuse, but they too did not have a one-size-fits-all mandate. Other programs such as WIA OJT and the various state programs seem to rely on the inherent interest employers have to hire those they invest in if there is a good fit. Indeed 80% of claimants who can't otherwise land a job do get hired after participating in those programs.

**Mandates Appear to Have Little Intended Effect.** Wage subsidy programs with employer mandates to hire compared to nonmandatory programs appear to have no measurable impact on employment results of participants to offset the cost of chilling employers' willingness to participate in a program that is valued at just \$2,400.<sup>vii</sup>

**Other Programs Have Developed Local Controls.** Other programs have governed abuse by giving local workforce agency staff discretion to prohibit employers who are not meeting the intent of the programs the authority to temporarily or permanently suspend an employer from participating.

Oregon's program gave discretion to local agency to develop rules to allow staff to bar an employer from further participation in the program if the employer failed to meet the intent of the program.

*"ORS 411.892 Employer eligibility; job requirements; program participant eligibility; termination of participation; job assignment; exemptions; wages; reimbursement of employers. (1)(a) All employers, including public and private sector employers within the State of Oregon, are eligible to participate in the JOBS Plus Program. The Department of Human Services or Employment Department, as appropriate, shall adopt by rule a method to disqualify employers from participating in the program."*

**Recommendation 1:** Eliminate the employer mandate to hire and give states the flexibility to design program safeguards at the state level based on their own state needs.

**2. Increase Flexibility of the Subsidy Length.** Bridge to Work targets long term unemployed job seekers who often lack required skills and/or experience to be hired. For employers, the equation in making a hire is driven by whether the subsidy is sufficient to make the employer's risk and investment worthwhile.

The Workforce Investment Act addresses the length of a wage subsidy by allowing the local agency to set the time to match the time needed to learn the job. This allows those closest to the job seeker and the employer to optimize the program, paying enough to incentivize a new job opportunity, but not more than is necessary. Under WIA, the wage subsidy is typically available for up to six months and is determined by staff:

*"(c) An OJT contract must be limited to the period of time required for a participant to become proficient in the occupation for which the training is being provided. In determining the appropriate length of the contract, consideration should be given to the skill requirements of the occupation, the academic and occupational skill level of the*

*participant, prior work experience, and the participant's individual employment plan. (WIA sec. 101(31)(C).)"*

**Recommendation 2:** Increase state flexibility to allow the wage subsidy to be up to 13 weeks to match the 90-day probationary period used by many employers, to allow opportunities for participants to learn higher skilled jobs and to allow state staff greater flexibility to optimize the match between job seekers and job opportunities. This local control will allow Bridge to Work to be effective in meeting employer needs while maximizing program savings.

**3. Simplify Funding Sources.** Bridge to Work splits a job seeker's income between UI benefits and employer pay to meet minimum wage requirements. In doing so, Bridge to Work may unnecessarily complicate administration of the program and subtly downplay the desired end result and normal likelihood that the worker will finish the program and have a paycheck going forward, rather than go back to collecting unemployment benefits.

Ideally, the program should allow a seamless and transparent transition for workers whether they are receiving support from a wage subsidy or have already been hired on to continue working for the employer. In this way, the program can also promote the idea of one class of workers for the employer from a human resources standpoint.

The split of funding and treatment of benefits as wages also creates other complicating questions, not involved in other wage subsidy programs, such as:

- Whether benefits paid will be subject to withholding taxes for: income, Medicare and Social Security, FUTA or SUTA
- Who the employer is - the state agency, federal government or the on site employer
- How are the benefits/wages treated when determining chargeable employer for later unemployment insurance claims

**Recommendation 3:** Eliminate the complication of two payors for the worker by paying the subsidy directly to the employer and requiring the employer to give the worker a paycheck like any other new worker. This can be done by simply allowing states to use the EUC funds in the manner described.

Sample language to accomplish a more simple funding approach is:

*"A State may provide a wage subsidy, for the benefit of claimants of emergency unemployment compensation benefits, to employers willing to provide on-the-job training opportunities for such claimants from such claimants' emergency unemployment compensation account funds. The State shall limit its use of emergency unemployment compensation account funds for wage subsidies to the total amount that participating claimants are expected to average in emergency unemployment compensation account claims without the wage subsidy assistance."*

This approach will guarantee cost neutrality and should promote strong savings in the program as outlined in Appendix A.

**4. Allow Early Intervention.** The net cost of a wage subsidy program can determine whether it becomes a legacy or a loser. A significant driver of net costs is the time at which a claimant is targeted to enter the program. This governs how many weeks of benefits can be saved by an earlier return to work.

Bridge to Work makes program eligibility turn on EUC eligibility. This unfortunately means that a claimant must exhaust their regular UI benefits (typically 26 weeks) before having a chance to try a different reemployment strategy.

States can improve outcomes by using the program earlier. It is generally accepted that claimants have a better chance at gaining reemployment early in their unemployment spell. So, it seems natural that the program should be available to UI claimants before they exhaust their first six months of claim eligibility. Providing the program earlier will accrue savings not only to federal EUC funding, but also to state UI Trust Funds.

Early intervention is used in at least one other major workforce program. TANF allows individuals at risk of becoming TANF claimants to be served proactively before the individual finds themselves in the throes of needing income support.

Early intervention not only will drive better government savings, it will also help claimants avoid long unemployment spells with benefits that pay less than half their former wage.

States can design early intervention strategies with Bridge to Work around the state's current "worker profiling" program that identifies claimants most likely to exhaust their claims early in their unemployment spell. Profiling is typically done in the first weeks of a claimant's application for benefits and allows states to target their own programs more strategically.

**Recommendation 4:** Allow states to offer Bridge to Work to claimants as early as they can identify likely exhaustees and users of the EUC in a way that maximizes claimant opportunities and generates a positive return on investment from the program.

## IMPACT

As we noted, Bridge to Work is a notable opportunity to change the dynamic of our long term unemployed by offering more hope and flexible approaches. It is important not to miss the enormity of the opportunity.

We estimate that Bridge to Work can provide opportunities to 300,000 to 400,000 long term UI claimants each year and, in doing so, save the federal government over 1.5 billion dollars.

For states, it represents freedom to innovate. State programs have succeeded but have been hamstrung due to a lack of funding. They are requesting more flexibility from the federal government. For all states, a well designed Bridge to Work program can provide the following benefits:

1. **Economy – Stability *Plus* Growth** – Bridge to Work, amended as recommended in this testimony, will target growth through jobs, double the economic stabilizer effect and increase production.

- **Economy - Double the Cash** - To the extent UI benefits fuel the economy, the program will more than double that impact because wages paid by employers to hire claimants will be over double the amount of the benefits (UI replacement rates are less than 50% of a claimant's prior wage), with employers paying the other half in exchange for the added productivity they receive from a new worker.
- **Production Increased** – With the program, money spent on benefits will directly increase economic production because claimants will work instead of remaining unemployed, unproductive and waiting for work. Add to this: 1) the multiplier effect, 2) tax revenue on wages paid and 3) savings to the UI Trust Fund, and the impact will be substantial.

2. **Claimants – Doubled Income.** Claimants normally receive an average of less than 50% of their prior wage. By helping them obtain jobs with a wage subsidy, they can double the income they would otherwise receive in unemployment benefits, while significantly increasing their likelihood of landing a permanent position by providing new work experience, job specific training and a new connection with an employer.

3. **Businesses - Available to All.** The program will let nearly every employer participate. This means that nearly any employer that wants to add an employee can have substantial help in doing so. This will have a strong impact on economic stimulus.

4. **Minimum Impact – More Job Seeker Income, Experience and Growth.** In the worst case scenario, a job seeker would work for two to three months and not get a job. But compared to merely receiving UI benefits and having no work, the job seeker would have twice as much income in that time, two to three months of added experience and training and a connection with another employer. Meanwhile employers and the economy gain two to three months of production and growth.

### ADDITIONAL INNOVATIVE PROGRAMS AND ENHANCED REEMPLOYMENT STRATEGIES PROVISIONS

The Jobs Act includes two other provisions we have reviewed, referred to as “Additional Innovative Programs” and “Enhanced Reemployment Strategies”. These provisions both would allow states to apply to the Secretary of Labor to implement other strategies designed to reemploy EUC claimants. Again we applaud the administration on the option for states to apply for innovative program authority.

**Recommendation 1:** We support the flexibility states would have under these provisions, and suggest simply adding a requirement that all proposals submitted be reviewed for fiscal impact to determine if they would improve reemployment and reduce claims sufficiently to pay for the program proposed.

Overall, the UI program nationally locks up funds in silo categories of activities that encourage administrators scratching their heads, trying to find loopholes so they can be more effective in their jobs. US DOL has done a nice job of promoting reemployment among states in recent years, but without some flexibility to fund reemployment, the Department is hamstrung. States constantly tell us they would like to be more innovative, but that they don't have the flexibility to do so.

An example of greater flexibility that would harmonize with the Bridge to Work proposal is to allow states to use the program for their state run regular UI programs. Currently over half of all claimants exhaust their claims. Even in a much better economy, approximately one in three claimants exhaust. Bridge to Work should be a regular part of state programs.

**Recommendation 2:** Allow states the option to use their UI Trust Fund benefits to fund the proposed Bridge to Work program for their regular UI program, with the improvements noted here. To ensure it is a cost saver, Congress should: 1) cap program use at 2% of UI benefits, 2) require it to be targeted to the likely to exhaust through current profiling systems and 3) offer it only to claimants with at least 18 weeks of regular UI remaining to save.

## CONCLUSION

Since the Works Projects Administration of the 1930s, the US has experimented successfully with a number of subsidized work programs, from WIA to WOTC to TANF and other acronyms in between. Drawing on these program findings, Bridge to Work can be the most significant job creation program we've seen. It can create hundreds of thousands of jobs for our long term unemployed if properly adjusted to maximize its impact for job seekers, employers and state and federal budgets.

To maximize its impact, we recommend that the Bridge to Work program be adjusted to: 1) eliminate the employer mandate, 2) simplify funding flow by letting employers pay the full wage, 3) increase the flexibility in the subsidy from a maximum of 8 weeks to 13 weeks, and 4) give states the flexibility to help claimants earlier than six months into their unemployment spells.

We also recommend that the innovation and reemployment strategies provisions of the American Jobs Act: 1) give states the flexibility to innovate where they can show a positive hard dollar return on investment and 2) extend the Bridge to Work program to the regular UI program as a first step for Congress in granting state reemployment program flexibility.

# Appendix A Bridge to Work - Savings Analysis

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FINANCIAL ANALYSIS	EUC Program		
	Current Cost of Targeted Claimants	Bridge to Work Wage Subsidy	Savings
Benefits Paid Before Program	\$ 8,606	\$ 1,174	\$ 7,432
Benefits Paid After Program (if Not Hired)	\$ -	\$ -	\$ (61)
Subsidy Cost	\$ -	\$ 2,280	\$ (2,280)
Costs of Training Costs (NNA)	\$ -	\$ 400	\$ (400)
Administration / Oversight	\$ -	\$ (81)	\$ 81
UT Tax on New Wages Paid to Participant in Program	\$ 8,806	\$ 3,624	\$ 4,982
TOTAL PER PARTICIPANT	\$ 300,000	\$ 300,000	
TOTAL PARTICIPANTS			
TOTAL COSTS	\$ 2,641,770,000	\$ 1,147,192,272	\$ 1,494,677,728

## ASSUMPTIONS

UI Benefits		
Ave Weekly Benefit for Participants	\$ 293.53	\$ 293.53
Ave 8 Weeks Paid for Participants	\$ 30.00	\$ 4.0
% Participants Not Hired and Who Return to UI Claim		6.5%
Ave Weeks of Return to UI (Not Hired) Permanently		3.2
Training Costs		
Ave Weeks Subsidy		10
Ave Wage Subsidy	\$ 6.00	\$ 6.00
Ave Hours Per Week in Subsidy	7	38
UT Tax Training		
Admin. Per Participant	7	\$ 400
Ave. Wages Paid During Subsidy	\$0	\$12.00
Ave. UI Tax Rate of Participating Employers		2.00%

## SUMMARY OF PROGRAM BENEFITS

Benefits to Employee		
Total Hours of Training and Experience	0	380
Total Income Received (during program)	\$1,174	\$4,500
Benefits to Employer		
Employer Subsidy - Per Employer	0	\$ 2,280
Employer Subsidies - Program Total	0	\$ 684,000,000
Recruiting Assistance - Program Total	0	\$ 120,000,000
Benefits to State		
Additional Weeks of Production - Program Total	0	2,650,000
\$ into the Economy - All Participants During Subsidy - Total	\$352,238,000	\$1,348,000,000
Additional Employer Outreach Funds - Total Annual	\$0	\$120,000,000
UT Total Fund Cost - Total	\$ (2,641,770,000)	\$ (1,147,192,272)
Return on Investment	\$ -	\$ 1,494,677,728
		230%

Regular UI Program		
Current Cost of Targeted Claimants	Bridge to Work Wage Subsidy	Savings
\$ 5,310	\$ 1,761	\$ 3,549
\$ -	\$ 61	\$ (61)
\$ -	\$ 2,280	\$ (2,280)
\$ -	\$ 400	\$ (400)
\$ -	\$ (81)	\$ 81
\$ 5,310	\$ 4,411	\$ 899
\$ 300,000	\$ 300,000	
\$ 1,583,000,000	\$ 1,323,310,272	\$ 260,689,728

\$ 298.00	\$ 293.53	
\$ (18.00)	\$ 4.0	
	6.5%	
	3.2	
	10	
	\$ 6.00	
	38	
7		
	\$ 400	
\$0	\$12.00	
	2.00%	

0	380	
\$1,174	\$4,500	
0	\$ 2,280	
0	\$ 684,000,000	
0	\$ 120,000,000	
0		
0	2,650,000	
\$531,000,000	\$1,348,000,000	
\$0	\$120,000,000	
\$ (1,580,000,000)	\$ (1,323,310,272)	\$ 260,689,728
\$ -		130%



## End Notes

<sup>i</sup> This data is sometimes called the replacement rate. It is calculated by dividing Average Weekly Wage (AWW) of claimants by their Average Weekly Benefit Amount (AWBA). According to US DOL ETA <http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp>, for the 12 months ending in June 2011, the average benefit amount was \$295.60. Divided by the average weekly wage (AWW) for that time period of \$885.58, the average "wage replacement rate" is 33.4%. This data represents an average for the population.

<sup>ii</sup> US average duration for the 12 months ending June 2011 was 18.0 weeks, US DOL ETA Unemployment Insurance Data Summary Report, <http://www.workforcesecurity.doleta.gov/unemploy/content/data.asp>. Tier 1, 2 and 3 average duration for the period 9-10 - 8-11 was 30 weeks. To be eligible for EUC, claimants must exhaust regular claims, which average close to 26 weeks, yielding a total of approximately 56 weeks. US DOL ETA Emergency Unemployment Compensation 2008 (EUC08) and Federal-State Extended Benefit (EB) Summary data for State Programs at <http://www.workforcesecurity.doleta.gov/unemploy/euc.asp>. This calculation of duration and claim amount does not include EUC Tier 4 benefits or Extended Benefits.

<sup>iii</sup> "Jobs for the Poor, Can Labor Demand Policies Help," Timothy J. Bartik. W.E. Upjohn Institute for Employment Research and the Russell Sage Foundation, 2001.

<sup>iv</sup> Oregon Employment Department report on JOBS Plus, Fall 2004, p. 7.

<sup>v</sup> Oregon Employment Department report on JOBS Plus, Fall 2004, p. 7; Wage gain of \$1.63 per hour, related to average wages of \$10.01 per hour. Wage data from October 2001 - December 2002.

<sup>vi</sup> US DOL Training and Employment Guidance Letter No. 12-09, January 29, 2010, p. 8.

<sup>vii</sup> The only study we are aware of regarding mandates for large scale programs was in two wage subsidy programs in the 1980s and 1990s - Minnesota's MEED program and Oregon's welfare program. Oregon employers asked that there be no mandate. Minnesota, according to the Upjohn Institute, had mandates requiring employers to make hires and retain employees. However, the Minnesota program did not achieve any statistically better results than the Oregon program which did not impose the employer burden. "Jobs for the Poor, Can Labor Demand Policies Help," Timothy J. Bartik. W.E. Upjohn Institute for Employment Research and the Russell Sage Foundation, 2001.

Chairman DAVIS. Thank you very much, Mr. Peitersen.  
Mr. McConnell.

**STATEMENT OF CHRIS McCONNELL, WORKFORCE  
CONSULTANT, ALLIEDBARTON SECURITY SERVICES**

Mr. MCCONNELL. Thank you for the opportunity to testify today. I would like to offer some observations from a private sector employer's experience working with many local workforce agencies to recruit folks on UI and other federal benefits.

I provide general consulting services and project management to public, private, and non-profit clients in the area of housing, human services, and workforce development. For the past four years, AlliedBarton Security Services has been one of my clients. AlliedBarton has over 50,000 employees, and 100 offices located across the United States. As such, AlliedBarton is a significant entry level employer in scores of local labor markets.

We recruit almost exclusively for security officers. These are full-time jobs with benefits, including health care after 90 days. We also promote from within, and can provide a clear career ladder from security officer to supervisory and management positions. My role with AlliedBarton is to help them make links with local workforce agencies, and identify policies and programs that help us recruit good staff and, whenever possible, defray the costs of recruitment, staff training, and wages.

In light of our experience in this realm, I would like to share just a couple of thoughts on our interaction at the local level over the past four years.

Short-term funding windows can be very problematic to administer down on the ground. And in this respect, I would ask you to be mindful of how difficult the process can be for getting funds from here through the state capitals and down to the counties and cities.

Two weeks ago I was in a meeting just outside of Detroit, and they wanted us to hire 20 people in 10 days, because one of their on-the-job training budgets for displaced workers on UI would be up at the end of the month. We would have loved to, and we will eventually hire those folks. But it might take us a couple of months or more, depending upon what our recruitment flow is like.

Another issue is how certain funding streams are only allowed to be applied to certain groups of people, like those with a longer duration on UI. As an employer, we need to see the people that best fit our job opportunities, regardless of when they might have lost a job, or what their benefit status might be. So it is frustrating for all of us down on the ground when a local job developer has to tell my recruiter that, "No, we can't get some help with the training costs on these folks, because they have only been out of work for X number of months, as opposed to this other group of folks who have been out of work Y number of months."

Of all the programs we have worked with across the country—and we have worked in New York, Pennsylvania, Ohio, Michigan, Texas, Illinois, and many, many others, wage subsidy is the best one that we found. Incentives like wage subsidy do exactly what they are meant to do. They give an employer a reason to look a little harder at a particular individual. Let me be clear. Like most

employers, we have plenty of applicants these days, in some districts as many as 30 for each job opening. So if the federal or local government wants us to focus on particular folks, well, these incentives are a good place to start.

Plus, when we generate revenue from an area of our business where we had never expected to generate revenue, this improves our bottom line, makes us more competitive, which, in turn, makes it easier for us to grow our business and hire more people. Hopefully, via these same programs.

Wage subsidy programs tend to be cleaner. We hire, we pay our employees the rate and duration of the subsidy, as previously established. There is nothing that gets in the way of the employer-employee relationship. And this is key for us, as I would imagine it is for many employers. We like hiring people. We want to pay them a prevailing wage, train them effectively, and hold them accountable for their work. This is what we do, and we are good at it. Wage subsidy respects that relationship like no other program available.

And from a less self-interested perspective, I would maintain that another strength of wage subsidy is that it is a post-employment program. The government funding comes through in direct relation to the money that the former UI recipient is earning.

Lastly, I would comment on any program models that you're looking at that keep folks on benefits and also try to put them in the workplace. For my client, AlliedBarton, any program like this is a no-go proposition. Because, from a legal standpoint, we can't have anybody working or performing job functions that isn't a direct employee. And I would imagine that we are probably not the only employer that would say something like that.

Thank you very much.

[The prepared statement of Mr. McConnell follows:]

**CM Consulting Inc.  
91 Cambridge Place  
Brooklyn NY 11238**

**O 718 857 6591  
C 347 683 4772  
[mcconnellchris@mac.com](mailto:mcconnellchris@mac.com)**

October 6, 2011

**TESTIMONY OF CHRIS MCCONNELL  
PRESIDENT, CM CONSULTING INC.  
WORKFORCE CONSULTANT TO ALLIEDBARTON SECURITY SERVICES  
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE,  
SUBCOMMITTEE ON HUMAN RESOURCES**

**Hearing on Moving from Unemployment Checks to Paychecks:  
Assessing the President's Proposals for Help the Long-Term Unemployed**

Thank you for the opportunity to testify today.

With my testimony I'd like to offer some observations from a private sector employer's experience working with many local workforce agencies to recruit folks on UI and other federal benefits.

Through my firm, CM Consulting Inc., I provide general consulting services and project management to public, private and non-profit clients in the areas of housing, human services and workforce development. I have been involved with this type of work for twenty five years, and although based primarily in New York City, have had the pleasure of representing clients throughout the country.

For the past four years, AlliedBarton Security Services has been one of my clients. AlliedBarton Security Services, headquartered in Conshohocken, PA is the largest American-owned security officer services company. AlliedBarton has over 50,000

employees and 100 offices located across the United States. As such, AlliedBarton is a significant entry-level employer in scores of local labor markets.

We recruit almost exclusively for Security Officers. These are fulltime jobs with benefits, including healthcare after ninety days. We consider ourselves the premier training company in our industry, and have been recognized as one of Training magazine's 'Top 125' for six years in a row. Our training expertise allows us a little more leeway in terms of our ability to recruit new staff with unrelated or even limited prior work experience. We also promote from within and can provide a clear career ladder from security officer to supervisory and management positions.

My initial work with AlliedBarton helped them to recognize the company's value to local workforce development. In turn, AlliedBarton has made a commitment at the corporate level to develop relationships that can most benefit the long-term success of the company by taking advantage of employer incentive programs and reaching out to new pools of potential employees. This is something the company had never before attempted in any coordinated manner.

My role with AlliedBarton is to help them make links with local workforce development agencies and identify policies and programs that help us recruit good staff, and, whenever possible, defray the costs of recruitment, staff training and wages.

I have introduced AlliedBarton to various programs that incentivize the hiring of UI recipients and folks on other federal benefits. Our relationships with local workforce development agencies, whether offered by the public sector or their vendors, have been instrumental in our recruitment of thousands of new employees who had previously been on UI or other federal benefits.

In light of our experience in this realm, I'd like to share of some thoughts on our interaction at the local level and the kinds of programs we find most effective.

#### Success is Based on Local Relationships

Even in today's economy, it is rare for AlliedBarton to have a district office that ever truly stops recruiting. This is due partly to our size, when you have 50,000 employees there will always be attrition. But it is also due to our status as an entry-level employer. And when I mention entry-level, I mean that most of our new employees are either entering the workforce or just entering our industry. This puts us square on the first rung of the career ladder, or of a new career ladder.

As an employer, this is not the easiest place to be. But it also makes us awfully useful to the folks that are trying to help UI recipients get back to work.

Unfortunately, it is rare for our district managers, recruiters or human resources directors to be aware of the types of programs that are offered by the local workforce development agency. Some of this is due to how well the programs are publicized, some of this is certainly down to how well our staff are actively seeking out these services. Irrespective, it's part of the reason that I have a job. So through my

experience of working with the public sector, with various state agencies, Workforce Investment Boards, and local program providers, I can usually get the lay of the land in one of our districts much more quickly than our staff on the ground.

This disconnect between what local programs are available to employers and whether employers are aware of the programs has been particularly troublesome in the past couple of years when different streams of stimulus money have landed first on the states, then on the local Workforce Investment Boards. In this respect, I would ask you to be mindful of how difficult the process can be for getting funds from here, through the state capitols, down to the counties and cities, then funneled through their programs to employers like me in the hopes of helping folks secure jobs.

This process can take some time. And sometimes the time limits put on the money put local workforce development agencies under immense pressure. The Federal Government might set a window of eighteen months for a new budget for a new program design to get spent, but by the time the money gets down to the ground, six months might be gone. And then a stretched staff at a county employment office or a non-profit running a jobs program has to take on something new, sometimes unfamiliar, market it to employers and make it happen in a very short time. Or they lose the money, and of course, that's the last thing anybody wants.

We've come across this issue many times. Two weeks ago I was in a meeting just outside of Detroit, and they wanted us to hire twenty people in ten days because one of their On-The-Job-Training budgets for displaced workers on UI would be up at the end of the month. We would have loved to. And we will, eventually, but it might take us a couple of months or more, depending upon how recruitment flows, but no subsidy for wages or training can drive when we have positions available.

So while we understand that the federal government certainly has to have limits to budgets and the availability of budgets, we also contend that an eighteen month window in Washington DC can end up being half that or less for an employer trying to access that program down on the ground, and we hope that you take this into consideration with the JOBS Act.

Another issue is the flexibility on the types of programs that states and local workforce agencies are allowed to offer employers. In our view, the more local latitude in this respect, the better. Local workforce agencies are trying to get folks back to work, we're trying to hire them. We both have our preferences for how to do this most effectively, often based on staff and administrative factors. So please be mindful of how prescriptive the Federal Government is, as this can often create hurdles down on the ground.

A good example of this is how certain funding streams are only allowed to be applied to certain groups of people, like those with a longer duration on UI. As an employer, we need to see the people that best fit our job opportunities, regardless of when they might have lost a job or what their benefit status might be. So it's frustrating for all of us down on the ground when a job developer has to tell my recruiter that, no, we can't get some help with training costs on these folks because they've only been out of work for X number of months as opposed to these other folks who have been out of work Y number of months.

Also, this seems to be a stipulation that can't possibly take into account the makeup of the UI population in any one area and doesn't allow the local workforce agency to tailor programming to that particular UI population and the local labor market that will potentially get them back to work.

#### Wage Subsidy is Preferred

As I mentioned earlier, our goal in working with local workforce agencies is to identify programs that help us to recruit good people, and whenever possible, defray the costs of recruitment, training and wages.

AlliedBarton has made great use of programs where local agencies have had the flexibility to develop incentives for hiring UI recipients. We have been involved with Wage Subsidy and On-The-Job-Training (OJT) programs in New York, Pennsylvania, Ohio, Michigan, Kentucky, North Carolina, Illinois, Oklahoma, Colorado, Texas, Washington Oregon and California, among a few others.

Incentives like Wage Subsidy or OJT do exactly what they are meant to do; give an employer a reason to look a little harder at a particular individual. Let me be clear, like most employers, we have plenty of applicants these days. In some districts, as many as thirty for each job opening. So if the federal or local government wants us to focus on particular folks, well, these incentives are a good place to start.

Plus, when we generate revenue from an area of our business where we had never expected to generate revenue, this improves our bottom line and makes us more competitive. Which in turn makes it easier for us to grow our business and hire more people. Hopefully via the same programs.

We have had success with both types of programs, but certainly have a preference for a Wage Subsidy.

Wage subsidy programs tend to be cleaner. And the easier it is to administer a program, from our perspective, the more likely it will be for us to have success in hiring. I have been in plenty of meetings with local workforce agencies where we have offered to take a lesser subsidy in return for some procedural changes that would make the program easier for us to use. So it's not size, but simplicity.

Wage Subsidy programs are just that, we hire, we pay our employees, the rate and duration of the subsidy is previously established, and we invoice as appropriate. There is nothing that gets in the way of the employer/employee relationship. This is key for us, as I would imagine it is for most employers. We like hiring people, we want to pay them a prevailing wage, train them effectively and hold them accountable for their work. This is what we do and this is what we are good at. Wage Subsidy respects that relationship like no other program available.

From a less self-interested perspective, I would maintain that another strength of Wage Subsidy is that it is a post-employment program. The government funding is spent only in direct relation to the money that the former UI recipient earns.

Similar, though in our estimation not quite as easy to use, is the On-The-Job-Training program. AlliedBarton has used OJT in many states. And while we are a great training

company, and have some success with it, the program is certainly more difficult to use than a straight Wage Subsidy. Essentially, OJT will return a percentage of the wage to the employer for the duration of an agreed training period while the former UI recipient is an employee of our company.

This arrangement necessitates the negotiation of an OJT outline that identifies the scope of the training. While certainly not insurmountable, it is another layer of administration to the process, and on more than one occasion, I have had our staff trainer wonder aloud how workforce professionals with little familiarity with our business can be making such assured determinations on the value of our in-house training.

I can only imagine how difficult it must be for small or mid-size companies where training is less standardized, and runs on more of a mentoring model, where a more seasoned employee is assigned to 'show you the ropes' for the first few weeks or months of work.

Unfortunately, as OJT has been around for many years, it's reputation with many employers is still that of the past, when it was typically an even more cumbersome program. In fact, one of our obstacles in currently working with OJT is that so many of our recruitment managers had bad experiences with OJT in the past, inside and outside of the security services industry, and I had to go through a reeducation process to get them to try it once more.

Finally, I'd like to touch on the "Bridge to Work" model. For AlliedBarton, these types of programs where somebody is training with us while receiving UI are a no-go proposition. Legally, we can't have anybody standing post as a security officer unless we employ them. I would imagine that we aren't alone in this sense.

We're also very conscious of equity in the workplace. We want to treat all of our employees with the same set of rules and employment conditions. A program like Wage Subsidy is the most effective way for us to take advantage of an incentive because the employee is being paid and supervised just like all of their peers.

One last element of some of the programs we've run across is the employment mandate, whereby the employer must provide some sort of guarantee that once the period of subsidy or training is finished that the client will automatically be offered employment.

First of all, if somebody makes it through subsidized wage period or OJT term as an employee of good standing, the last thing we would ever want to do is let them go. That individual has proved herself to us, and we want to keep her, keep training her, and make her the most productive employee we can. To do otherwise, in our estimation, is simply bad business.

On the other hand, the nature of our business, like any business, can be difficult to predict. We gain business, we hire more people. We lose business and unfortunately we have to let people go. Which is why a guarantee of employment is conceptually impossible for us, and something we could never legally agree to. Again, I would imagine we aren't the only employer who would maintain this position.

What we can guarantee, and have guaranteed, is that If somebody finishes their subsidized wage or OJT term and we have work for them to do, they will work for us. And this tends to be the case about 99% of the time.

Hopefully the dialogue on these types of programs will be ongoing, as we feel that Wage Subsidy in particular is something that every local workforce agency should have as a tool to deal with the dilemma of unemployment in its community.





Chairman DAVIS. Thank you very much, Mr. McConnell. You may have heard the buzzer several minutes ago during Mr. Peitersen's testimony. That signals the beginning of this very long vote series. Rather than hold you hostage for about 90 minutes, I think what we are going to do—as I mentioned, the possibility at the beginning of your testimony—we will be submitting questions to you for the record. We would appreciate a response back in writing.

I look forward to a continued dialogue on this critical issue. Ranking Member Doggett and I are both personally committed to finding creative ways to address both the inefficiencies and the process problems within the government space, and ways to help folks find a path back to work very quickly.

And I appreciate your testimony today, your time invested in this. This will be an ongoing dialogue. And again, thank you very much.

This concludes the hearing today.

[Whereupon, at 10:35 a.m., the subcommittee was adjourned.]

[Questions for the Record follow:]

GEOFF DAVIS, KENTUCKY  
SUBCOMMITTEE CHAIRMAN  
ERIK PAULSEN, MINNESOTA  
RICK KIRK, NORTH DAKOTA  
TOM REED, NEW YORK  
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Congress of the United States  
House of Representatives  
COMMITTEE ON WAYS AND MEANS  
WASHINGTON, DC 20515  
SUBCOMMITTEE ON HUMAN RESOURCES

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JANICE MAY, MINORITY CHIEF COUNSEL  
NICHOLAS GAYN, SUBCOMMITTEE MINORITY STAFF

October 13, 2011

The Honorable Jane Oates  
Assistant Secretary  
Employment and Training Administration  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

Dear Ms. Oates:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we review the President's proposals designed to help long-term unemployed individuals return to work.

In order to complete the record of the hearing, please respond to the following questions no later than Thursday, October 27, 2011:

1. Back in the President's September speech to Congress, he hailed the proposals that were the topic of our Subcommittee hearing as the "the most historic overhaul of UI since its inception." But the details of the proposals suggest they are all be temporary (that is, they are generally tied to the temporary Emergency Unemployment Compensation program, which the President's proposal would extend one year through December 2012). Meanwhile, the permanent State UI program remains the same, a system that can only pay weekly unemployment benefit checks even if States think there is a better way to help the unemployed return to work quickly. What exactly is the "historic overhaul" part of the President's proposal? What of the changes in the proposal will still be in effect in 2013?
2. I note the part of your testimony about the supposed multiplier effects of spending on UI benefits, citing work by CBO and others.

I have a different question about the employment effects of extended UI benefits. Does the Department of Labor know how many people have gone to work while collecting extended unemployment benefits in recent years? If so, can you project the number of people who can reasonably be expected to return to work next year while collecting extended Federal unemployment benefits, if they are extended for a 10<sup>th</sup> time?

Separately, if Congress does not extend unemployment benefits again – can you project how many long-term unemployed people who might otherwise have collected benefits would go to work, if these benefits are not extended?

3. The Administration's latest jobs plan would maintain the current "three year lookback" determining where up to 20 weeks of Federal Extended Benefits are paid. The practical effect is that by next summer very few States will be paying benefits under that program, cutting the maximum weeks of Federal benefits from 73 weeks to 53 weeks. That in turn will reduce the maximum weeks of total UI benefits from 99 weeks to 79 weeks.

If unemployment rates stay in the range currently forecast by the Administration, do you agree that the practical effect of the Administration's proposal would be to reduce the maximum weeks of all UI benefits from 99 weeks now to 79 weeks next year?

4. In the 2009 stimulus law, states were provided shares of a one-time \$7 billion fund if they expanded UI eligibility in various ways, such as covering people who were looking for only part time work, or who quit their prior job for certain "compelling" reasons.

How many additional individuals have received UI benefits as a result of these "modernization" expansions?

How much in additional State UI benefits have they been paid to date as a result of these expansions?

How much in additional Federal extended UI benefits have they been paid to date as a result of these expansions?

The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to [timothy.ford@mail.house.gov](mailto:timothy.ford@mail.house.gov). If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch with you if we have questions about your recommendations.

Sincerely,

  
Geoff Davis

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



NOV 18 2011

The Honorable Geoff Davis  
Chairman  
Subcommittee on Human Resources  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Davis:

Thank you for the opportunity to testify at the hearing held on October 6, 2011, assessing the Unemployment Insurance (UI) provisions in the American Jobs Act of 2011.

In order to complete the record of the hearing, I am enclosing my agency's response to the questions you and Congressman Reed had with regards to the President's proposals as they relate to the UI program.

We welcome the opportunity to work with Congress on legislation that addresses the needs of the long-term unemployed.

If you have additional questions, you may contact Mr. Adri Jayaratne, Senior Legislative Officer, Office of Congressional and Intergovernmental Affairs, at (202) 693-4600.

Sincerely,

A handwritten signature in black ink that reads "Jane Oates".

Jane Oates  
Assistant Secretary

Enclosure

**Questions and Answers**  
**Committee on Ways and Means**  
**Subcommittee on Human Resources**  
**Rep. Davis, Subcommittee Chairman**

October 26, 2011

**PART I**

**Question**

*Back in the President's September speech to Congress, he hailed the proposals that were the topic of our Subcommittee hearing as "the most historic overhaul of UI since its inception." But the details of the proposal suggest they are all [to] be temporary (that is, they are generally tied to the temporary Emergency Unemployment Compensation program, which the President's proposal would extend one year through December 2012). Meanwhile, the permanent state UI program remains the same, a system that can only pay weekly unemployment benefit checks even if States think there is a better way to help the unemployed return to work quickly.*

*What exactly is the "historic overhaul" part of the President's proposal?*

**Answer**

As I mentioned in my testimony, the American Jobs Act proposes several changes to the traditional way unemployment insurance (UI) claimants have been provided services to help them become reemployed. Because jobs have been slow to return since the technical end of the Great Recession, many more Americans are remaining unemployed for unprecedented periods of time and are facing new barriers to reemployment, including employer discrimination. Therefore, the primary focus of this legislation is to ensure that longer term unemployed workers are provided with new opportunities to improve their likelihood of reemployment. Building on the success of the Reemployment and Eligibility Assessment (REA) initiative, which better connects UI claimants to reemployment services offered through One-Stop Career Centers, the Act requires all Emergency Unemployment Compensation (EUC) claimants to receive both reemployment services and an eligibility assessment, a model that has proven successful. The Reemployment NOW program will provide states the ability to implement a number of innovative reemployment programs such as Bridge to Work, wage insurance, self employment assistance, and others that will be thoroughly evaluated in order to inform longer term reform related to the regular UI program.

Beyond the President's proposal, I would also note that States receive funding to support workforce programs that are available to UI claimants both virtually and through One-Stop Career Centers. Improving the employment outcomes of UI claimants is a priority and the Department is working with states to better connect UI claimants to available training and employment services.

**Question**

*What of the changes in the proposal will still be in effect in 2013?*

**Answer**

The Reemployment Services/REA, Reemployment NOW, Bridge to Work, and Self Employment Assistance programs will be available through the phase out of the EUC program (June 2013). We would anticipate that states may use their reemployment NOW funds for intensive reemployment services and for running their innovative programs in 2013 since reobligation of funds from other states must happen by December 31, 2012.

In addition, states will have the option to either adopt a new Short Term Compensation (STC) program or expand an existing program with their share of grant funds. The proposal encourages states to provide for an STC program under their own laws by providing 100 percent Federal funding of STC benefits for up to three years. Separately, the proposal would create a two-year Federal STC program for states without an STC program, which would likely continue into 2013. Under this program Federal government would pay 50 percent of the benefit costs and employers would pay the remaining 50 percent of the benefit costs.

**PART II**

**Question**

*I note the part of your testimony about the supposed multiplier effects of spending on UI benefits, citing work by the CBO and others. I have a different question about the employment effects of extended UI benefits.*

*Does the Department of Labor know how many people have gone to work while collecting extended unemployment benefits in recent years?*

**Answer**

We estimate that, as of September 2011, 10.6 million claimants who received extended unemployment benefits (EUC or EB) have left the program without using all available benefits. The Department of Labor does not collect, or require states to collect, employment outcomes for UI recipients for any of the UI programs.

**Question**

*Can you project the number of people who can reasonably be expected to return to work next year while collecting extended federal unemployment benefits, if they are extended for a tenth time?*

**Answer**

We estimate that an additional 2.6 million claimants would leave the program without exhausting all available benefits by the end of calendar year 2012. Again, the Department does not collect, or require states to collect, employment outcomes for UI recipients for any of the UI programs.

**Question**

*If Congress does not extend unemployment benefits again – can you project how many long-term unemployed people might otherwise have collected benefits would go to work, if these benefits are not extended?*

**Answer**

The Department does not have the ability to project how many long-term unemployed individuals would otherwise go to work, if benefits are not extended.

**PART III****Question**

*The Administration's latest jobs plan would maintain the current "three year lookback" determining where up to 20 weeks of Federal Extended Benefits are paid. The practical effect is that by next summer very few States will be paying benefits under that program, cutting the maximum weeks of federal benefits from 73 weeks to 53 weeks. That in turn will reduce the maximum weeks of total UI benefits from 99 weeks to 79 weeks.*

*If unemployment rates stay in the range currently forecast by the Administration, do you agree that the practical effect of the Administration's proposal would be to reduce the maximum weeks of all UI benefits from 99 weeks to 79 weeks next year?*

**Answer**

Drawing on bipartisan support, the Administration developed this set of UI proposals. Current economic forecasts do indicate that EB would not be available in many states through the 2012 calendar year. We would be happy to work with the Committee to address this issue.



**PART IV****Question**

*In the 2009 stimulus law, states were provided shares of a one-time \$7 billion fund if they expanded UI eligibility in various ways, such as covering people who were looking for only part-time work, or who quit their prior job for certain “compelling” reasons.*

*How many additional individuals have received UI benefits as a result of the “modernization” expansions? How much in additional State UI benefits have individuals been paid to date as a result of the “modernization” expansions? How much in additional Federal extended UI benefits have individuals been paid to date as a result of the “modernization” expansions?*

**Answer**

The Department only has anecdotal information from a few states about the number of individuals who are now eligible for the benefits they have received due to UI Modernization. States were not required to collect and report information on the number of individuals who received UI benefits as a result of the “modernization” expansions who would otherwise have been ineligible. It is likely that the increased number of UI recipients due to UI Modernization varies widely across states. Some states already had some of the necessary provisions in place and only had to make minor modifications to their laws, regulations, or policies to qualify for the funds resulting in only marginal increases in numbers of recipients. Other states enacted the full panoply of provisions necessary to entitle them to their share of UI Modernization incentive funds, resulting in larger increases in the number of recipients. Many of these provisions have not been in effect for a sufficient amount of time for states to assess increases in reciprocity.

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Congress of the United States  
House of Representatives  
COMMITTEE ON WAYS AND MEANS  
WASHINGTON, DC 20515  
SUBCOMMITTEE ON HUMAN RESOURCES

October 13, 2011

Ms. Maren Daley  
Executive Director  
Job Service North Dakota  
1000 East Divide Avenue  
Post Office Box 5507  
Bismarck, North Dakota 58506-5507

Dear Ms. Daley:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we seek to help unemployed individuals return to work.

As I mentioned at the end of the hearing, Members would submit questions to you in writing. I would like to pose the following questions for your review and response:

1. The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be common ground about helping the long-term unemployed return to work. My question is – should we build on this common ground and make some *permanent*, rather than just temporary, reforms to help the short *and* long-term unemployed be more successful at returning to work in the years to come?

2. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

Please respond to this question no later than Thursday, October 27, 2011. The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to [timothy.ford@mail.house.gov](mailto:timothy.ford@mail.house.gov). If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch if we have further questions about your excellent recommendations.

Sincerely,



Geoff Davis



Jack Dalrymple, Governor • Maren L. Daley, Executive Director

PO Box 5507 • Bismarck, ND 58506-5507

October 26, 2011

The Honorable Geoff Davis  
Subcommittee on Human Resources Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Davis:

My response to the House Ways and Means Human Resources Committee Testimony Questions, as outlined in your letter dated October 13, 2011 are below.

Question 1:

The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be common ground about helping the long-term unemployed return to work. My question is – should we build on this common ground and make some *permanent*, rather than just temporary, reforms to help the short *and* long-term unemployed be more successful at returning to work in the years to come?

Answer 1:

States need to make intensive reemployment services a core activity for the unemployed who are filing claims. Too often, all focus is placed upon actions relating to the need to increase the UI Trust Fund levels in order to continue to pay benefits. While this is indeed critical, it is equally critical that we invest at least the same level of effort in getting claimants back to work. While each state is different, by virtue of the fact that there remains a fairly large number of unfilled open jobs in the United States, it can be deduced that by better preparing UI claimants for rapid re-entry into the workforce, we would benefit claimants, employers, and state UI Trust Funds.

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The Honorable Geoff Davis  
 October 26, 2011  
 Page 2

It is critical to recognize that initiating targeted reemployment services for UI claimants shortly after separation from employment has been proven to help get claimants back to work sooner. This timelier reemployment provides great economic benefit to both claimants and employers. Conversely, the lack of reemployment services during the early stages of unemployment increases the duration and costs of unemployment to these same two groups. The USDOL has had a focus on reemployment for several years with their Reemployment Eligibility Assessment (REA) program. One of the keys to success of the REA program has been the fact that each participating state has the power to design and administer the REA program with the needs of the state's workforce and employer base at the core of the program. REA has taken us outside of the box of one-size-fits all, and has allowed states to target activities to their specific needs.

The difficulty that has been encountered with the REA program is that it has been funded on a year-by-year application basis. REA lacks assurances of sustainability as a long term program as it relates to program funding. Based on our successes associated with the REA program in North Dakota, this program should be funded on a consistent ongoing basis. Some may argue that other funding sources exist to accomplish the critical functions of the REA program, however, the other funding streams often referred to as options for supplementing reemployment services have had flat to declining funding and are inadequate to meet the need. Wagner Peyser, which is the basis for the labor exchange program with universal access, has been flat funded for 30 years. For a minimally funded state such as North Dakota, this has not been adequate to meet inflationary cost increases to deliver basic universal services much less targeted reemployment services to UI claimants.

The Workforce Investment Act (WIA), which can provide core, intensive and training services to assist targeted populations to achieve self sustaining employment, has been cut time after time with upcoming reductions again being considered by the US House of Representatives. The current WIA cuts being considered would force the closure of many One-Stop Career Centers which are integral to the provision of reemployment services. Importantly, funding for unemployment administration does not extend to reemployment services.

The Unemployment Insurance (UI) system as designed is very effective in efficiently providing timely, short-term monetary assistance to individuals who become unemployed through no fault of their own. The functionality of the program as a safety net, both for workers and employers, has been refined over time, and is driven in large part by state specific laws relating to eligibility requirements and employer premiums.

Much debate could be and has occurred in relation to the UI program, with a major focus being applied to the topics of extensions of UI benefits, expanded

The Honorable Geoff Davis  
 October 26, 2011  
 Page 3

claimant eligibility, and the strength and design of state UI Trust Funds. Discussion of these items is important, and North Dakota carefully considers these topics continually to ensure the continued equitable, cost effective operation of the UI program in our state. However, as important as these items are, we recognize that the true success of our program is not based solely on paying a monetary benefit to an individual. If our only goal was to provide a weekly payment to claimants, without ever trying to assist them in becoming rapidly reemployed, we would do a disservice to the claimants and employers of our state. Under this scenario, we inadvertently create a risk to our UI Trust Fund, and subsequently create an environment in which increases in employer tax rates is common. To this end, North Dakota has placed a more intensive effort upon reemployment services.

In summary, ongoing adequate funding for flexible reemployment services which are designed by the states and delivered to meet local economic needs would serve to reduce costs and facilitate rapid reemployment of more UI claimants. This would allow states to respond quickly and provide targeted reemployment services.

Question 2:

Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

Answer 2:

Long term permanent funding for flexible state-designed reemployment services is a key to getting unemployed individuals back to work quickly. While this could take many forms, the most efficient and low cost method would be to make the REA program a permanent fixture of the UI program. North Dakota has participated in the REA program since its inception in 2005, and there is solid evidence to support the fact that REA participants return to work much more rapidly than those individuals who were not able to participate in the program.

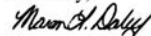
REA does require an investment of staff time, which ultimately means there is a monetary cost to the program. However, the cost of providing REA services to claimants is greatly offset by the reduction in benefit payments made to these individuals. Assuming an individual was unemployed long enough to require three separate REA sessions with a state staff member, the overall cost of providing these services to the individual remains under \$200. However, the return on investment is tremendous. In North Dakota, we have found that those claimants who participate in the REA program are unemployed for a duration that

The Honorable Geoff Davis  
October 26, 2011  
Page 4

is four weeks shorter than those who have not been able to participate. This reduced duration results in a benefit savings of over \$1200 per claimant. As REA services are provided to more individuals, the return on investment grows proportionately.

The success of state designed reemployment services, such as REA, is a proven and cost effective method for getting individuals back to work quickly. In contrast, funding reemployment initiatives on a one-size-fits-all basis can easily miss the cost savings states that can achieve with flexible funding that can be tailored for unique targeted needs.

Sincerely,



Maren L. Daley  
Executive Director  
Job Service North Dakota

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**Congress of the United States**  
**House of Representatives**  
**COMMITTEE ON WAYS AND MEANS**  
WASHINGTON, DC 20515  
SUBCOMMITTEE ON HUMAN RESOURCES

October 13, 2011

Mr. Don Peitersen  
Project Director  
Unemployment Insurance/Workforce  
American Institute for Full Employment  
2626 Biehn Street  
Klamath Falls, Oregon 97601

Dear Mr. Peitersen:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we seek to help long-term unemployed individuals return to work.

As I mentioned at the end of the hearing, Members would submit questions to you in writing. I would like to pose the following questions for your review and response:

1. The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be common ground about helping the long-term unemployed return to work. My question is – should we build on this common ground and make some *permanent*, rather than just temporary, reforms to help the short *and* long-term unemployed be more successful at returning to work in the years to come?

2. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?



3. You reference the cost effectiveness of engaging UI recipients in programs such as the proposed Bridge to Work program. The Administration proposes billions of additional temporary funds for such efforts -- on top of the \$44 billion cost of extending unemployment benefits for the 10<sup>th</sup> time.

You noted the wage subsidy is less expensive than paying benefits in the end. Should States be given flexibility over all extended benefit funds, rather than over just additional temporary funds the Administration is proposing, to place unemployed persons in wage subsidy programs? If States could help the long-term unemployed get training that helps them get off benefits faster, wouldn't it be better for everyone?

4. Would you please explain the major differences between how Georgia Works functioned, and what the Administration is proposing in its "Bridge to Work" program? Will those changes make the program the Administration has proposed more or less likely to actually help people return to work? How do you expect employers will respond to the Administration's proposed changes?
5. The Administration proposals focus on the long-term unemployed, that is, people who have already been out of work for over six months, and who might have been out of work as long as two years. From an employer perspective, and ultimately from the standpoint of what will work best to get unemployed persons back to work, is that the right focus, or should more focus be placed on people *before* they are long-term unemployed? In short, in considering the challenges facing unemployed people like Ms. Deane, would she be more likely to benefit from interventions now -- when she is in her fourth month of unemployment -- or in three, ten or even 20 months from now, that is, only after she has become a long-term unemployed person?

Please respond to this question no later than Thursday, October 27, 2011. The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to [timothy.ford@mail.house.gov](mailto:timothy.ford@mail.house.gov). If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch if we have further questions about your excellent recommendations.

Sincerely,

  
Geoff Davis

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Responses to Chairman Davis' questions  
to Don Peitersen regarding his testimony before the  
Subcommittee on Human Resources – October 6, 2011

1. The Administration projects unemployment will remain high well into 2013, yet they only propose temporary programs and funding.

Even when the unemployment rate does come down, tens of millions of people will be laid off each year, and millions will be unemployed and collecting benefits at any moment in time.

There seems to be a common ground about helping the long-term unemployment return to work. My question is – should we build on this common ground and make some permanent, rather than just temporary, reforms to help the short and long-term unemployed be more successful at returning to work in the years to come?

RESPONSE:

With almost 40 years in this nation's unemployment insurance and workforce programs, I strongly support making permanent changes. Temporary solutions have tended to be complicated, ill-timed and confusing to claimants, employers and those who administer the programs, because they cannot depend on stability in the changes and therefore are slow to embrace or adopt them. Temporary programs, especially during times of economic crises, also often only put a band-aid over the underlying problems. In time, the band-aid has to be removed but the wound remains.

Most importantly, if a change is a good and needed change, it should be made permanent. For example, consider this question: In what recent year were 2.85 million UI claimants exhausting all of their regular UI claims and becoming long term unemployed: 2007, '08, '09, '10 or '11? It's a trick question. It was 2005 - before the recession - when 2.85 million (35.9%) of UI claimants exhausted their claims. From mid-year 2010 to 2011 the same data showed 5.4 million exhaustees. Recession years undoubtedly raise the number of our long term unemployed, but does that mean we should ignore the millions who are stuck unemployed in the good years. The mark of a great program is one that serves job seekers well in all economies. This is a perfect time to make that lasting change and develop a foundation that stands strong when we next find ourselves in difficult times.

2. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?

## RESPONSE:

Over the past decade, we have had numerous conversations with state agencies about their attempts to improve reemployment of UI claimants. A common theme from them is the need to have more flexibility to be innovative in the development of programs and in the use of funding. Programs such as TANF and the Workforce Investment Act include waiver options to allow innovation, but the Unemployment Insurance program does not have that flexibility.

Such flexibility should contain a requirement that any proposal be reviewed for fiscal impact to determine if it would improve reemployment and reduce claims sufficiently to pay for the proposed program. In other words, any proposal must provide an acceptable "Return on Investment" prior to approval by US DOL.

Additionally, states should be required to establish clear and meaningful program performance measures that reflect the needs of their states' employers and job seekers.

**3. You reference the cost effectiveness of engaging UI recipients in programs such as the proposed Bridge to Work program. The Administration proposes billions of additional temporary funds for such efforts – on top of the \$44 billion cost of extending unemployment benefits for the 10<sup>th</sup> time.**

**You noted the wage subsidy is less expensive than paying benefits in the end. Should States be given flexibility over all extended benefit funds, rather than over just additional temporary funds the Administration is proposing, to place unemployed persons in wage subsidy programs? If States could help the long-term unemployed get training that helps them get off benefits faster, wouldn't it be better for everyone?**

## RESPONSE:

Yes, states should be given options for implementing wage subsidy programs for all extended benefits programs. They should also be given the same options for regular state UI benefits programs so they help claimants avoid long term spells of unemployment and the need to claim extended benefits. Such wage subsidy programs should be developed properly with well-targeted recipients, meaningful state specific performance measures and a tightly calculated return on investment.

Not all claimants look the same. Some have skills and experience and are looking for work, some need to obtain training and/or education and other can benefit from learning a new job while being employment with a new employer. The key is that the states need the flexibility to develop a portfolio of solutions for the employer and job seeker that meet the unique needs of their state. In large part, our current system is a "one size fits all" approach. And, with half of all claimants exhausting their claims and trust funds going broke, it is failing.

**4. Would you please explain the major differences between how Georgia Works functioned and what the Administration is proposing in its "Bridge to Work" program? Will those changes make the program the Administration has proposed more or less likely to actually help people return to work? How do you expect employers will respond to the Administration's proposed changes?**

## RESPONSE:

There are two significant differences between Georgia Works and the “Bridge to Work” proposal. The first is that “Bridge to Work” contains a mandate that requires an employer to hire the trainee within 24 weeks of program participation. Such a mandate has not been a requirement in Georgia Works or any other unemployment insurance wage subsidy program of which we are aware.

The use of the hiring mandate in “Bridge to Work” implies a concern about employer abuse of the program and/or a desire to guarantee program performance. Our program experience shows that states have not had any discernable problems with employer abuse. States have developed their own effective procedures to identify any potential abuse without a one-size-fits-all mandate. Mandates appear to have little intended effect. Due to the costs invested in training an individual and the relatively small subsidy, valued at just \$2,400, employers have little to gain by gaming the system and much more to lose by hiring the wrong employees.

A second significant difference between Georgia Works and Bridge to Work is that the latter splits a trainee’s income (where necessary due to minimum wage requirements) between UI benefits and employer pay. Georgia Works used normal UI benefit checks as the only source of income for the participant. In traditional wage subsidy programs, the income comes solely from the employer who is reimbursed by the state.

Bridge to Work’s split of trainee income may unnecessarily complicate administration of the program and undermine the desired end result. The split funding and treatment of benefits as wages creates complicating questions not involved with the wage subsidy program, such as: a) treatment of withholding taxes, b) determining who is the actual employer, and c) determining how benefits/wages are treated for charging unemployment insurance benefits claimed. But the split also involves a more subtle issue. Employees hired in this program should be treated largely the same whether they are receiving a wage subsidy or have been hired directly by the employer. But they are not.

We believe that both the hiring mandate and the two-payor system of wages will create significant issues for employers in supporting Bridge to Work. The income split becomes a bureaucratic nightmare for both employers and state agencies charged with administration of the program.

**5. The Administration proposals focus on the long-term unemployed, that is, people who have already been out of work for over six months, and who might have been out of work as long as two year. From an employer perspective, and ultimately from the standpoint of what will work best to get unemployed persons back to work, is that the right focus, or should more focus be placed on people before they are long-term unemployed? In short, in considering the challenges facing unemployed people like Ms. Deane, would she be more likely to benefit from interventions now – when she is in her fourth month of unemployment – or in three, ten or even 20 months from now, that is, only after she has become a long-term unemployed person?**

## RESPONSE:

It is generally accepted that the earlier in their claim sequence that claimants are targeted for reemployment services, the better chance they have to gain reemployment. Ms. Deane, in the fourth month of her claim, if not afforded the proper reemployment services, has greater

chance of becoming one of those in the next bubble of long term unemployed to be served and remaining unemployed in the 8<sup>th</sup> or 12<sup>th</sup> month of a claim.

The current proposal targets only those who already exhausted their regular UI benefits and are drawing EUC. As such, it has the effect of delaying what should be done much earlier in a claim. An ounce of prevention, in this case, would counsel for program availability at two to three months, instead of at six to nine months or later.

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**Congress of the United States**  
**House of Representatives**  
**COMMITTEE ON WAYS AND MEANS**  
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

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October 13, 2011

Mr. Chris McConnell  
Workforce Consultant  
AlliedBarton Security Services  
c/o CM Consulting, Inc.  
91 Cambridge Place  
Brooklyn, New York 11238

Dear Mr. McConnell:

Thank you for testifying at our subcommittee hearing assessing the President's proposals to help the long-term unemployed. We appreciated your expertise as we seek to help long-term unemployed individuals return to work.

As I mentioned at the end of the hearing, Members would submit questions to you in writing. I would like to pose the following questions for your review and response:

1. Knowing that we are short on cash, what would be the most effective low-cost measures we could take to help States get unemployed individuals back to work quickly?
2. The Administration's proposals involve temporary changes, and one-time pots of new money that generally expire after next year. From an employer perspective, and ultimately from the standpoint of what will work best to get unemployed persons back to work, are such temporary proposals more or less likely to work than permanent reforms that offer support for wage subsidy type programs?
3. How would you adjust the Administration's proposals to make them more effective at getting people back to work? Can these programs work so that they pay for themselves, in the form of UI benefit savings as people return to work more quickly?
4. The Administration proposals focus on the long-term unemployed, that is, people who have already been out of work for over six months, and who might have been out of work as long as two years. From an employer perspective, and ultimately from the standpoint

of what will work best to get unemployed persons back to work, is that the right focus, or should more focus be placed on people *before* they are long-term unemployed?

Please respond to this question no later than Thursday, October 27, 2011. The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to [timothy.ford@mail.house.gov](mailto:timothy.ford@mail.house.gov). If you have any questions concerning this matter, please feel free to contact Matt Weidinger or Anne DeCesaro of my staff at (202) 225-1025.

Again, many thanks. We will continue to be in touch if we have further questions about your excellent recommendations.

Sincerely,



Geoff Davis

PLEASE BE INFORMED THAT I AM NO LONGER AFFILIATED WITH ALLIEDBARTON SECURITY SERVICES AND ALL VIEWS EXPRESSED IN THIS DOCUMENT ARE WHOLLY MY OWN, CHRIS MCCONNELL, PRESIDENT, CM CONSULTING, INC.

Question 1:

In terms of cost effectiveness, I think that it would be best to concentrate on measures where the primary expenditure occurs post-employment. This could be something like a wage subsidy, or even On-the-Job-Training, where the biggest cash outlay occurs only when the UI recipient is employed, no longer receiving benefits, and generating income and payroll taxes.

Question 2:

Temporary measures, especially those of a year or two, are more difficult for states to administer and businesses to access. Each state has its own process for administering funds down to the county or city level, and then perhaps to vendors who will be delivering the programs. This process can easily take months, which often puts local governments and their vendors in the position of having to spend a year's budget in a few months. This situation also is a disincentive to innovation, because local governments don't have the time to develop new policies and programs that might be more effective than their current provision. Also, while I understand the desire for these pots of money to not become permanent, a window of three to four years, at minimum, would be more effective.

Question 3:

The most effective programs at getting people back to work will be the programs that allow states and local governments the flexibility to tailor services that meet the needs of employers in their areas. Employers have different needs and desires when it comes to working with these programs, and local governments must have the ability to form a menu of services to meet those needs.

Question 4:

I've never really understood the logic of basically waiting until somebody has been out of work a pretty long time before we think it's time to really throw all our resources at them. A better argument could be made for prioritizing the short-term unemployed so that they have less chance of ever becoming long-term unemployed.

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RICK BERG  
North Dakota  
COMMITTEE ON  
WAYS AND MEANS  
SUBCOMMITTEE ON  
SELECT REVENUE MEASURES  
SUBCOMMITTEE ON  
HUMAN RESOURCES  
SUBCOMMITTEE ON  
SOCIAL SECURITY

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-3401  
October 18, 2011

323 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
PHONE: (202) 225-2811  
FAX: (202) 225-4860

3170 43RD STREET SOUTH  
SUITE 100  
FARGO, ND 58104  
PHONE: (701) 236-9760  
FAX: (701) 235-0767

220 EAST ROSSER AVENUE  
FEDERAL BUILDING ROOM 308  
BISMARCK, ND 58501  
PHONE: (701) 224-6358  
FAX: (701) 224-6431  
[www.berg.house.gov](http://www.berg.house.gov)

Ms. Maren Daley  
Executive Director, Job Service North Dakota  
1000 East Divide Avenue  
Post Office Box 5507  
Bismarck, North Dakota 58506-5507

Dear Ms. Daley:

Thank you for testifying at the Ways and Means Human Resources Subcommittee hearing assessing the President's Proposals to Help the Long-Term Unemployed. Again, I was so proud to have North Dakota represented on our panel to talk about some of the great things that we are doing to get people back to work.

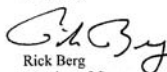
In order to complete the record of the hearing, please respond to the following questions by November 1, 2011:

1. In your written testimony, you talk a lot about state flexibility and I agree - we need more of it. In the Administration's plan, we see a renewed emphasis on worksharing. It's a way to reduce hours, provide benefits, and prevent layoffs. But one of the criticisms we hear about worksharing is the high administrative costs because it increases the number of recipients and involves burdensome benefit calculations. Also, we know other states have struggled to implement it. But in North Dakota, we've figured out a system that works. Can you tell us more about how the program works in North Dakota and how our state can afford to pay it?
2. Your written testimony also discusses the intensive reemployment workshops that North Dakota has implemented and the positive results that workers have seen from participating in them. Would you discuss more about what occurs in those workshops and what the feedback is from the workers and the employers who hire them?

The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Word format to Danielle Janowski of my staff at [danielle.janowski@mail.house.gov](mailto:danielle.janowski@mail.house.gov) and Tim Ford of the Ways and Means Human Resources Subcommittee staff at [timothy.ford@mail.house.gov](mailto:timothy.ford@mail.house.gov). If you have any questions concerning this matter, please feel free to contact Danielle at 202-225-2611.

Again, thank you so much for coming to testify. It was a pleasure to visit with you and I know that everyone appreciated hearing your insight on how we can get workers back to work and our country back on track.

Sincerely,

  
Rick Berg  
Member of Congress



Jack Dalrymple, Governor • Maren L. Daley, Executive Director

PO Box 5507 • Bismarck, ND 58506-5507

October 26, 2011

The Honorable Rick Berg  
Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515-3401

Dear Representative Berg:

My response to the House Ways and Means Human Resources Committee Testimony Questions, as outlined in your letter dated October 18, 2011 are below.

Question 1.

In your written testimony, you talk a lot about state flexibility and I agree – we need more of it. In the Administration's plan, we see a renewed emphasis on worksharing. It's a way to reduce hours, provide benefits, and prevent layoffs. But one of the criticisms we hear about worksharing is the high administrative costs because it increases the number of recipients and involves burdensome benefit calculations. Also, we know other states have struggled to implement it. But in North Dakota, we've figured out a system that works. Can you tell us more about how the program works in North Dakota and how our state can afford to pay it?

Answer 1.

Although we are not opposed to worksharing programs, in North Dakota we utilize a fairly substantial earnings disregard to achieve many of the same outcomes of worksharing, but in a less complicated manner. An earnings disregard is a dollar amount that a claimant is allowed to earn without impacting the unemployment insurance benefits they are receiving. In other words, it allows individuals to receive unemployment insurance benefits at the same time that they are working a reduced schedule. The higher earnings disregard lessens the barriers of keeping workers connected to work without risk of losing the entire safety net of unemployment benefits. It reflects a culture that does not punish the unemployed for making the effort to work when only limited work is available or while they are awaiting recall to their primary job.

Although an earnings disregard is utilized in most states, the earnings disregard in North Dakota is a higher amount than typically seen elsewhere. In North Dakota, an individual can earn up to 60% of their unemployment insurance weekly benefit

701.328.2825 (Voice) • 800.366.6888 (TTY Users – Relay ND) • 701.328.4000 (FAX)

Job Service North Dakota is an equal opportunity employer/program provider.  
Auxiliary aids and services are available upon request to individuals with disabilities.

The Honorable Rick Berg  
 October 26, 2011  
 Page 2

amount (WBA) with no impact upon the benefit amount they receive. For example, if the claimant's WBA was \$300, the individual could earn \$180 that week from employment and still receive the entire benefit payment of \$300. If the level of earnings the claimant receives from employment exceeds 60%, there is a dollar-for-dollar reduction in their unemployment insurance benefit payment for that week for the amount exceeding 60%.

The outcome of utilizing the earnings disregard in this manner is that employers are able to reduce the hours of their employees and continue operations during periods of low activity. This ultimately benefits both workers and employers. Workers are not permanently laid off and employers are able to retain a skilled and trained workforce.

Using the earnings disregard in this manner in North Dakota is not a new concept, and was not implemented in response to the nationwide focus on worksharing. In fact, even with the earnings disregard in place, the North Dakota Legislature statutorily required that a workshare pilot project be implemented in North Dakota in 2003 to determine whether it should become a permanent fixture within the North Dakota unemployment insurance system. The experience of worksharing in North Dakota was not positive, not because the concept is bad, but because of the costs of implementation and the complexity of administration. Costs for establishing the program were very high due to the extensive main frame computer re-programming required to calculate benefit payments. Additionally, administration was very time intensive, and required a substantial level of effort from both employers and Job Service North Dakota. Ultimately, the Legislature removed workshare from statute.

The 60% earnings disregard works in North Dakota because it did not require significant computer re-programming, and ultimately does not require a significant level of administrative effort from either employers or Job Service North Dakota. In regards to computer programming, because the earnings disregard is a long-standing function of the program, changing the percentage of disregard is a fairly simple programming effort. Administratively, employers do not have to provide any specific information relating to the reduction of hours and Job Service North Dakota is not required to take any additional steps to administer the reduction because the benefit calculations are automated. The costs of benefits paid are affordable, with the employer ultimately being charged for unemployment insurance benefits paid as with any unemployment insurance claim in North Dakota. Benefit charges are not subsidized by the state, federal government, or other employers. The higher earnings disregard works in North Dakota, in part, because we have job demand and retention of workers is critical; worksharing may be a better fit in other states where job development is greatly needed. Also, the higher earnings disregard functions well with the seasonal nature of layoffs in North Dakota. There is often part time work available in the off season. These unique state differences emphasize the point that effective reemployment initiatives are most cost effective and best determined at the state

The Honorable Rick Berg  
October 26, 2011  
Page 3

level, and I would encourage funding of an overall effective reemployment program designed by states rather than funding for specific reemployment project initiatives.

Question 2.

Your written testimony also discusses the intensive reemployment workshops that North Dakota has implemented and the positive results that workers have seen from participating in them. Would you discuss more about what occurs in those workshops and what the feedback is from the workers and the employers who hire them?

Answer 2.

Intensive Reemployment Workshops were provided across the state during the months of January 2011 through June 2011. These workshops were funded with Wagner/Peyser RES dollars through the American Recovery and Reinvestment Act. The workshops consisted of one day devoted to basic computer skills training and three days addressing job search; resumes, cover letters, and employment applications, and interviewing.

Many employers require job applications be submitted online and many of the unemployed workshop participants did not know how to use a computer. Therefore, it was critical that day one of the workshop consisted of basic computer skills, including an introduction to a computer and components; mouse, keyboard, flash drives and saving documents. Word processing was introduced using Microsoft Word. Participants learned how to change font, copy and paste, navigate documents, insert text, and format. These new skills were reinforced by creating a cover letter and professional resume.

Participants learned about Internet Explorer. Topics included web page URLs, web search engines, favorites, home pages and history. Individuals established a professional email account and learned how to open, delete, attach, and send documents in an email.

Day two consisted of a half day discussing various resources available through Job Service North Dakota. Participants were given a demonstration of our website, [jobsnd.com](http://jobsnd.com) including navigation basics for employment websites, which included how to search and apply for jobs online. Discussions also included the SHARE network (community support resources), our labor market information site, NDWIN, O\*Net online and federal jobs posted online. Participants received tours of the One-Stop Career Centers and an overview of all services including the Workforce Investment Act, career exploration sites, and resume software.

The Honorable Rick Berg  
 October 26, 2011  
 Page 4

The remainder of Day two included identification of skills, abilities and education, and how these skills could be transferable to other occupations. Participants discussed how skills transferability could broaden the scope of participant's job searches and build awareness of expanded job opportunities. Workshop participants also learned how to use networking connections to aid their job search.

Day three of the workshop consisted of practical application of the knowledge gained for completing job applications, creating cover letters and resumes.

The final day of the session provided participants with many suggestions and tips on how to prepare for an interview as well as examples of interview questions. Participants were given an opportunity to practice interviewing and learned the importance of making follow up contacts with employers. The intent of this session was to help gain the confidence needed to "ace that interview".

All participants completed the workshops motivated and prepared to seek employment with new resources, skills, cover letter, professional resume and interview experience.

The average duration for claimants attending the workshop was 7.32 weeks compared to the State's overall average duration for claimants not returning to their employer was 11.28 weeks (08/2010 to 07/2011). This translates into significant savings for the unemployment insurance trust fund.

#### **Intensive Reemployment Workshop Comments from Participants**

##### Overall Comments

*"It would be so beneficial if the Reemployment Workshop could be offered closer to the time that you apply for Employment Benefits."*

*"I would make this program a permanent feature so that all people who are unemployed have a chance to utilize it."*

*"Extremely informative workshop and would highly recommend it!"*

*"Do this seminar earlier in the unemployment process, possibly like in the first month."*

##### What would you say about this workshop to someone who is looking for work?

*"Very, very beneficial. I definitely recommend this workshop to future unemployed"*

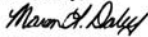
The Honorable Rick Berg  
October 26, 2011  
Page 5

*"Be sure to attend. I don't know what to expect but really was excited for the next day of class. It was very informative and a very comfortable classroom setting"*

*"I would advise everyone that has the opportunity to use this workshop"*

*"That it was amazingly helpful and useful."*

*"You will learn something you never thought about before, no one goes away without something."*

Sincerely,  
  
Maren L. Daley  
Executive Director  
Job Service North Dakota

—

TOM REED  
29th District, New York  
  
COMMITTEE ON  
WAYS AND MEANS  
SUBCOMMITTEES:  
HUMAN RESOURCES  
OVERSIGHT  
  
WASHINGTON, DC OFFICE  
1037 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-3229  
PHONE: (202) 225-3161  
  
www.reed.house.gov

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

October 12, 2011

CORNING DISTRICT OFFICE  
80 WEST MARKET STREET  
CORNING, NY 14830  
PHONE: (807) 664-7560  
  
PITTSFORD DISTRICT OFFICE  
672 PITTSFORD VICTOR RD., SUITE 2  
PITTSFORD, NY 14534  
PHONE: (585) 718-0040  
  
OLEAN DISTRICT OFFICE  
1 SILVERBROOK SQUARE  
OLEAN, NY 14750  
PHONE: (716) 379-8434

Jane Oates  
Assistant Secretary  
Employment and Training Administration  
United States Department of Labor  
200 Constitution Ave., NW  
Frances Perkins Building  
Washington, DC 20210

Dear Ms. Oates,

Thank you for testifying before the Subcommittee on Human Resources on October 6 regarding the Unemployment Insurance program and methods by which the government can assist citizens with returning to work. I appreciate your insight into this issue from the Department of Labor's point of view.

In order to complete the record of the hearing, please respond to the following questions by Wednesday, October 26, 2011:

- 1.) During the hearing you agreed that raising the Federal Unemployment Tax Act (FUTA) tax on businesses would not be conducive to job creation. In the case of New York State, the State Department of Labor is able to levy a \$27 per employee surcharge on businesses in order to recover funds to repay the interest on a loan from the federal government given in 2009 and 2010. This surcharge on small businesses came as result of New York State's inability to pay back an interest free loan from the Federal Government – a loan intended to strengthen the State's unemployment insurance program. In addition, the Federal Unemployment Tax Act (FUTA) levies an additional tax on businesses, which increases annually by .3% should the State be unable to repay the principle of the loan.

What reason does the Administration give for not allowing the States to use funds from the Unemployment Trust Fund to assist with paying the interest on loans from the Federal Government?

If States were able to use funds from the Unemployment Trust Fund to assist with paying the interest on loans from the Federal Government, New York may not have to levy a surcharge on employers to recover the money. Would the absence of the per employee surcharge on

businesses be more beneficial for job creation than the surcharge that was imposed in New York State earlier this year?

Given your sentiments that increasing taxes on businesses does not help create jobs, how does the federal government expect the current FUTA increase to allow businesses to create jobs?

- 2.) The Administration's proposal, in the President's Fiscal Year 2012 budget request and recommendations to the Joint Committee on Deficit Reduction, is to provide another two-year interest free loan to States' unemployment insurance systems. If a two-year interest free loan is given to New York State and the State is unable to pay the loan within the two year period, they must pay the .3% increased FUTA tax every year this loan is not repaid.

Is the intent of the Administration's plan to provide a two year interest free loan to States to maintain the States' Unemployment Insurance programs?

Will increasing the FUTA tax on businesses create jobs?

- 3.) In your testimony, you stated that in the case that unemployment insurance benefits are cut off, former recipients may seek long term disability benefits. You stated the numbers of individuals considered for Social Security Disability Insurance has doubled during the recession.


Could you provide for me the statistics of the number of citizens moving off the unemployment benefits rolls annually over a ten year period? In addition can you provide me with the number of citizens making disability claims annually over a ten year period?

Do you find any link between citizens moving off unemployment insurance to an increase in Social Security Disability Insurance benefits?

The Committee relies on electronic submissions for printing of the official record. Therefore, please send an electronic submission in Microsoft Word format to [timothy.ford@mail.house.gov](mailto:timothy.ford@mail.house.gov) and [drew.wayne@mail.house.gov](mailto:drew.wayne@mail.house.gov).

Your consideration of my additional questions is appreciated. Should you have any questions please contact Drew Wayne in my office by e-mail or at (202) 225-3161. I look forward to your response.

Sincerely,



Tom Reed  
Member of Congress



**Questions and Answers**  
**Committee on Ways and Means**  
**Subcommittee on Human Resources**  
**Rep. Reed, 29<sup>th</sup> District, New York**

October 26, 2011

**PART I**

**Question**

*During the hearing you agreed that raising the Federal Unemployment Tax Act (FUTA) tax on businesses would not be conducive to job creation. In the case of New York State, the State Department of Labor is imposing a \$27 per employee surcharge on businesses in order to pay the interest on outstanding loans from the Federal government in 2009 and 2010. This surcharge on small businesses came as [a] result of New York State's inability to pay back its interest-free loans from the Federal government – loans intended to strengthen the State's unemployment insurance program due to increased pressure from extended Federal unemployment benefits. In addition, the FUTA will soon begin levying an added tax on businesses, which will increase annually by 0.3%, to repay the principle of the loan.*

*Why can't States use funds from their Unemployment Trust fund to assist with paying the interest on loans from the Federal government?*

**Answer**

Section 1202(b)(5) of the Social Security Act (SSA), provides that interest required to be paid shall not be paid (directly or indirectly) by a state from amounts in its unemployment fund. If the Secretary of Labor determines that any state action results in the payment of such interest directly or indirectly (by an equivalent reduction in state unemployment taxes or otherwise) from such unemployment fund, the Secretary shall not certify such state's unemployment compensation law under Section 3304, FUTA.

Section 303(c)(3), SSA, and 3304(a)(17), FUTA, also prohibit payment of interest directly or indirectly from the state's unemployment fund.

Moreover, the states that owe interest on advances (loans) from the Federal Unemployment Account (FUA) took advances because their accounts in the unemployment trust fund (UTF) were insolvent due to paying regular unemployment compensation not because of the wholly federally funded unemployment benefits. States do not pay for any of the costs of extended Federal unemployment benefits. If states are permitted to use moneys in their unemployment trust fund accounts to pay interest on advances, they are merely adding to their debt and putting themselves in a position, absent other actions taken to increase solvency, to need even more advances and owe even more interest to Treasury.

**Question**

*If States were able to use funds from their Unemployment Trust fund to assist with paying the interest on loans from the Federal government, New York may not have to levy a surcharge on employers to collect the money.*

*Would the absence of the per employee surcharge on businesses be more beneficial for job creation than the surcharge that was imposed in New York State earlier this year?*

**Answer**

States have much discretion in determining the source of funds to pay this interest. Some states have used general revenues or other sources of funds to make this payment, while others, like New York, chose to assess a surcharge. Each state must determine the best alternative for that state's economy when selecting a fund source to repay interest.

**Question**

*Given your sentiments that increasing taxes on businesses does not help create jobs, how does the Federal government expect the current FUTA increase to allow businesses to create jobs?*

**Answer**

In the short term, the Administration's proposal will restore the long-standing FUTA tax rate that expired on June 30, 2011. This is necessary because the Federal accounts in the UTF have run out of funds, and have received \$29 billion as of October 20, 2011 in interest-bearing advances from general revenues. However, the proposal also provides employers assistance in the short term. Employers in many states are facing effective increased FUTA taxes right now as a result of state UI systems' indebtedness (the revenue from reduced FUTA credits is to help states repay their advances). For 2011 and 2012, the proposal would eliminate these credit reductions and support economic recovery.

The Administration's long-term proposal does not increase FUTA taxes -- the increase in the taxable wage base will be accompanied by a reduction in the FUTA tax rate, resulting in an approximate net neutral effect on employers. Moreover, by increasing the taxable wage base to \$15,000 in 2014, the Administration seeks to set the taxable wage base at the level it would have been, adjusted for inflation, had it been indexed at the time it was raised to its current level of \$7,000 during the Reagan Administration. In the short-term, the Administration's proposal will restore the longstanding FUTA tax rate that expired on June 30, 2011.

**PART II****Question**

*In the President's Fiscal Year 2012 budget request and recommendations to the Joint Committee on Deficit Reduction, the Administration recommended another two years of interest-free treatment on loans to State unemployment insurance systems and delays accompanying Federal tax increases for States that have not repaid the principal on those loans. The Administration's proposal would push the issue off for another two years, but other provisions in the Administration's plan would then accelerate subsequent tax hikes faster than current law; this means New York businesses will face even steeper increases in their Federal unemployment taxes starting in 2013. Across the U.S., the Administration's proposal amounts to a net tax hike of nearly \$60 billion over 10 years.*

*Does the Administration believe that forcing a tax increase on businesses will create jobs in the coming years?*

**Answer**

The Administration's proposal seeks in the short term to provide relief to both states and employers with regard to interest payments and the loss of FUTA tax credits. For calendar years 2011 and 2012, the proposal waives interest accrual and payments on advances (loans) made to states to pay unemployment compensation and to eliminate for two years assessment of any FUTA credit reductions that would effectively increase employers' FUTA taxes if the credit reductions were not eliminated. These provisions will help support economic recovery and job growth. As the economy improves, states will be in a better position to address their solvency issues.

To ensure trust fund solvency, the proposal increases and indexes the taxable wage base beginning in 2014, but also reduces the FUTA tax rate. This blended approach of providing relief in the short term and addressing trust fund solvency in the long term ensures that employers are not burdened in the short run and are best positioned to create jobs, while also ensuring American workers have a sound UI safety net for the future.

## PART III

**Question**

*In your testimony, you stated that if Federal unemployment benefits are not extended, former UI recipients may seek long-term disability benefits. You stated the number of individuals applying for Social Security disability benefits has doubled during the recession.*

*Please provide the number of individuals terminating unemployment benefits over the last ten years.*

**Answer**

The states report the number of exhaustees -- or people who receive all benefits to which they are entitled. That data is provided in the table below. (We note that we are interpreting the term "terminate" to mean "exhaustee" in order to answer this question.) We also note that over 17.6 million workers have received Emergency Unemployment Compensation (EUC) and/or Extended Benefits (EB) since the Federal benefit supports began in 2008. The majority ultimately left the programs without collecting all available benefits, but some of these workers are still drawing benefits from the programs, while others exhausted their benefits in 2010 or 2011. In the absence of the EUC and EB programs, however, all 17.6 million of these workers would have exhausted their benefits at the end of their regular state UI entitlement.

Year	Exhaustees (millions)	Notes
2002	2.3	1
2003	2.6	1
2004	4.1	1
2005	2.9	1
2006	2.7	1
2007	0.9	2
2008	-	3
2009	-	3
2010	1.6	4
2011	1.6	4

1. Estimates draw exhaustees from regular program reports when states are not in payable periods for EB and from EB reports when states are in payable period for EB.
2. Reach back period for EUC goes to May of 2007, so exhaustees for this period are as in 1 but only through April.
3. Extensions and expansions of the EUC program continue to provide entitlement preventing anyone from being an exhaustee.
4. Estimates of final exhaustees provided by DOL for the EUC period covering the regular, EB and EUC program.

**Question**

*Please provide the number of individuals subsequently applying for disability benefits over the last ten years.*

**Answer**

We are unable to provide information on the number of individuals applying for disability benefits after receiving UI benefits. The Department of Labor does not collect, nor does it require states to collect, this information.

**Question**

*Is there a confirmed link between individuals moving off unemployment insurance and on to Social Security disability benefits?*

**Answer**

According to a report released by the Social Security Administration, *Changes in Incentives Influencing Program Size*,<sup>1</sup> economic changes influence applications to the disability insurance (DI) and Social Security Income (SSI) programs. The report reflects that, in general, disabled-worker application rates and incidence rates have tended to rise in periods of increasing unemployment and fall in periods of decreasing unemployment. However, the report does not explain the underlying reasons for these trends. Therefore, we defer to the Social Security Administration on this subject.

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<sup>1</sup> [http://www.ssa.gov/policy/docs/chartbooks/disability\\_trends/sect05.html](http://www.ssa.gov/policy/docs/chartbooks/disability_trends/sect05.html)

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Congress of the United States  
House of Representatives  
COMMITTEE ON WAYS AND MEANS  
WASHINGTON, DC 20515  
SUBCOMMITTEE ON HUMAN RESOURCES

October 12, 2010

Ms. Maren Daley  
Executive Director, Job Service North Dakota  
1000 East Divide Avenue  
Post Office Box 5507  
Bismarck, North Dakota 58506-5507

Dear Ms. Daley:

Thank you for taking time out of your schedule to appear at the hearing before the Subcommittee on Human Resources on assessing the President's proposals to help the long-term unemployed. Please respond in writing to the following questions related to the hearing. Your written responses will be submitted as part of the Subcommittee's hearing record. Due to the limited time in which the hearing record will be open for additional comments, I ask that you submit your responses no later than October 27, 2011.

If you have any questions regarding this request, please contact Ms. Sonja Nesbit at (202) 225-4021. Once again, thank you for appearing before the Subcommittee to discuss an issue that is of great importance. I look forward to reading your responses.

Sincerely,

  
Lloyd Doggett  
Ranking Member  
Subcommittee on Human Resources

Additional Question for Ms. Maren Daley:

- In your testimony, you highlighted the importance of Federal funding through the Workforce Investment Act (WIA) to support your re-employment eligibility assessment program. Given the importance of those funds to North Dakota, how would you respond to the draft proposal introduced by Republicans to cut funding for training and re-employment programs under WIA by 75 percent? What impact would that have on your ability to continue to provide these critical services that get people back to work?



Jack Dalrymple, Governor • Maren L. Daley, Executive Director

PO Box 5507 • Bismarck, ND 58506-5507

October 26, 2011

The Honorable Lloyd Doggett  
Subcommittee on Human Resources Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Doggett:

My response to the House Ways and Means Human Resources Committee Testimony Question, as outlined in your letter dated October 12, 2011 is below.

Question.

In your testimony, you highlighted the importance of Federal funding through the Workforce Investment Act (WIA) to support your re-employment eligibility assessment program. Given the importance of those funds to North Dakota, how would you respond to the draft proposal introduced by Republicans to cut funding for training and re-employment programs under WIA by 75 percent? What impact would that have on your ability to continue to provide these critical services that get people back to work?

Answer.

Job Service North Dakota (JSND) currently operates sixteen One-Stop Career Centers located across the state. A 75% cut to Workforce Investment Act funding would eliminate the funding necessary to operate all but four One-Stop Centers located in the largest cities in the state. This would significantly reduce access to employment services for individuals in our rural state. The individuals hardest hit would be those who may lack access or the skills to use computers. In-person services available at the One-Stop Centers are vital to individuals identified as most in need for employment assistance. The closing of Job Service One-Stop Centers would negatively affect the smaller, booming communities. These offices provide critical job connections as a gateway to connecting job seekers to available jobs. Many employers rely on JSND to facilitate the application process for job seekers. This is particularly true in the western half of the state which is experiencing an oil boom.

WIA training funds are also a critical funding source to enable individuals, identified as most in need, to gain the skills required for high paying jobs in the state. Without WIA, these individuals could not afford training and would lack the

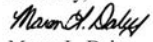
701.328.2825 (Voice) • 800.366.6888 (TTY Users – Relay ND) • 701.328.4000 (FAX)

Job Service North Dakota is an equal opportunity employer/program provider.  
Auxiliary aids and services are available upon request to individuals with disabilities.



The Honorable Lloyd Doggett  
October 26, 2011  
Page 2

skills necessary to qualify for many employment opportunities. JSND is a minimally funded state under WIA and has effectively used this limited funding to connect training enrollees to employment in targeted industries and high wage/high demand occupations in the state. Ninety-five percent of the total training enrollments in PY 2010 were specific to support Governor Dally's targeted industries of energy, advanced manufacturing, value-added agriculture, technology, or high wage/high demand occupations. JSND has strived to direct as much WIA funding as possible to effective training that leads to employment in demand jobs in the state. With declining WIA funding over the last six years, JSND has reduced ninety-four (94) full-time equivalent staff positions. JSND reduced core and intensive staff assisted services in order to maintain support for much needed skills training for WIA participants. With further cuts to WIA, funding for training would be reduced or eliminated.

Sincerely,  
  
Maren L. Daley  
Executive Director  
Job Service North Dakota

GEOFF DAVIS, KENTUCKY  
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Congress of the United States  
House of Representatives  
COMMITTEE ON WAYS AND MEANS  
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

October 12, 2011

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JANICE MAYIS, MINORITY CHIEF COUNSEL  
NICHOLAS GAYN, SUBCOMMITTEE MINORITY STAFF

Ms. Dawn Deane  
5708 Gainor Road  
Philadelphia, PA 19131

Dear Ms. Deane:

Thank you for taking time out of your schedule to appear at the hearing before the Subcommittee on Human Resources on assessing the President's proposals to help the long-term unemployed. I found your testimony to be very informative. Please respond in writing to the following questions related to the hearing. Your written responses will be submitted as part of the Subcommittee's hearing record. Due to the limited time in which the hearing record will be open for additional comments, I ask that you submit your responses no later than October 27, 2011.

If you have any questions regarding this request, please contact Ms. Sonja Nesbit at (202) 225-4021. Once again, thank you for appearing before the Subcommittee to discuss an issue that is of great importance. I look forward to reading your responses.

Sincerely,



Lloyd Doggett  
Ranking Member  
Subcommittee on Human Resources

Additional Question for Ms. Dawn Deane:

- The current Federal unemployment program begins to shut down at the end of this year, potentially leading to loss of UI benefits for over two million people by mid-February. If you are unable to find a job by the end of the year, how would you and your daughter make ends meet if your unemployment benefits are cut off? Would you be forced to give up your home?

October 24, 2011

Response to

Ranking Member Doggett

Subcommittee on Human Resources

From Dawn Deane, witness

Thank you for your question Representative Doggett. Were Congress to fail to reauthorize the federal unemployment insurance programs, and were I not able to find a new job before the end of 2011, I would not have any other choice but to apply for welfare and food stamps. And because the HEMAP program has been shut down, I don't see how I would be able to keep paying the mortgage on my home that I have owned for ten years. I fear that foreclosure would be inevitable.

GEOFF DAVIS, KENTUCKY  
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JANICE MAYN, MINORITY CHIEF COUNSEL  
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Congress of the United States  
House of Representatives  
COMMITTEE ON WAYS AND MEANS  
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

October 12, 2011

Mr. Don Peitersen  
Director of Unemployment/Workforce Project  
American Institute for Full Employment  
2626 Biehn Street  
Klamath Falls, Oregon 97601

Dear Mr. Peitersen:

Thank you for taking time out of your schedule to appear at the hearing before the Subcommittee on Human Resources on assessing the President's proposals to help the long-term unemployed. Please respond in writing to the following questions related to the hearing. Your written responses will be submitted as part of the Subcommittee's hearing record. Due to the limited time in which the hearing record will be open for additional comments, I ask that you submit your responses no later than October 27, 2011.

If you have any questions regarding this request, please contact Ms. Sonja Nesbit at (202) 225-4021. Once again, thank you for appearing before the Subcommittee to discuss an issue that is of great importance. I look forward to reading your response.

Sincerely,



Lloyd Doggett  
Ranking Member  
Subcommittee on Human Resources

Additional Question for Mr. Don Peitersen:

- You described the on-the-job training funds in TANF Emergency Funds made available in the Recovery Act as a notable initiative. That program provided Federal support for subsidized employment for a variety of displaced workers in public and private sector positions and led to the creation of over 250,000 jobs. Would you support the creation of another subsidized employment program similar to the one established in the Recovery Act?

AMERICAN INSTITUTE  
FOR FULL EMPLOYMENT

Response to Ranking Member Doggett's question  
to Don Peitersen concerning his testimony before the  
Subcommittee on Human Resources – October 6, 2011

**You described the on-the-job training funds in TANF Emergency Funds made available in the Recovery Act as a notable initiative. That program provided Federal support for subsidized employment for a variety of displaced workers in public and private sector positions and lead to the creation of over 250,000 jobs. Would you support the creation of another subsidized employment program similar to the one established in the Recovery Act?**

RESPONSE:

The merit of developing subsidized wage opportunities using TANF Emergency Funds in the Recovery Act was that it provided a platform for encouraging states to expand their on-the-job training programs to better meet the needs of unemployed workers and employers who could hire them. However, in our opinion, states responded with very little innovation (and instead only continued previous programs) as the funding was used primarily to provide fully subsidized jobs that had a smaller chance of becoming full-time permanent jobs once the subsidy (usually 100% of wages for 6 months) was over.

Thus, the opportunity was missed to provide meaningful, short-term wage subsidies aimed at encouraging employers to hire a TANF recipient that they would not have otherwise hired. In addition, the program has been characterized by state agencies and employers as complex and cumbersome to administrate.

To meet the needs of today's workforce, wage subsidy programs should provide states with the flexibility to develop innovative programs that:

- Identify which customers will benefit most from a wage subsidy placement.
- Is likely to incentivize an employer to provide a new opportunity and training.
- Have a demonstrated return on investment by saving offsetting claim dollars.
- Uses measures to properly manage the program and measure success.

States have flexibility in TANF to create wage subsidy programs by writing the program into their state plans. This flexibility does not exist in Unemployment Insurance, but it should.

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[Submissions for the Record follow:]

## Aaron Benjamin, Statement

September 22, 2011

### The Solution to Long-Term Unemployment

By Aaron J. Benjamin

WE FACE an unprecedented unemployment crisis. Now three years since the 2008 financial meltdown, over fourteen million Americans, nearly ten percent of the working population, are unemployed.<sup>1</sup> The average duration of unemployment stands at a record forty weeks.<sup>2</sup> Six million Americans, or forty-two percent of the unemployed, have been jobless for over six months.<sup>3</sup> This is not a problem, it is an emergency.

In response to this crisis, our policymakers have been calling for job creation. We need to create jobs, they say, for these millions of Americans to fill.

Unless the government extends employment offers to the unemployed, with money it does not have, only profit-generating employers can offer jobs. So the question we must ask is, *why* are these job-creators of the world not offering jobs?

It turns out that the answer to this question is critical in determining how to combat joblessness. And because our policymakers have failed thus far to grasp the correct answer, they have been proposing well-meaning schemes that just don't address the root of the unemployment problem.

Many believe it is because businesses are cash-strapped and cannot afford to hire more workers. Based on that assumption, the President has introduced tax incentives to make it more affordable for employers to hire.

But this is just plain incorrect. U.S. businesses are currently sitting on a record \$2 trillion of cash reserves.<sup>4</sup> They have so much excess cash that a House member recently proposed a tax on all retained corporate earnings in excess of the earnings of the past three years.<sup>5</sup>

Another prominent explanation is that because individual demand for goods and services is down, employers do not need to expand, and therefore their demand to hire is also down. It is this assumption that underlies the justification for perpetual extension of unemployment benefits. The argument goes, that putting money into the hands of the jobless who will immediately spend it on what they need to live directly creates demand for basic goods and services, thereby ultimately giving employers reason to expand and hopefully to hire.<sup>6</sup>

This premise is likewise mistaken. Total employer hiring demand is up 94 percent from 2010.<sup>7</sup> Hiring demand for engineering services jobs is up fifty-nine percent from the beginning of 2011, with nearly 15,000 new jobs advertised in August alone.<sup>8</sup> Over 36,000 new jobs were advertised online for web developers in August.<sup>9</sup> These are just samples of entire industries with robust demand for growth.



So if employer appetite for hiring is robust, and they have adequate resources for hiring, then why in the world are they not hiring? This forces us to approach the question from a new perspective.

**The cause of the current unemployment crisis:**

The real reason employers are not hiring because they cannot find workers with the skills they need. According to a recent Department of Labor Study, in 1950, only 3 out of 10 jobs in America required a postsecondary degree compared with 7 out of 10 today. Our labor force is catastrophically mismatched with the needs of today's employers. In 2010, for example, construction workers suffered the highest rate of unemployment - over twenty percent by some accounts - while the unemployment rate for professional occupations was below five percent.<sup>10</sup> So, although there are fourteen million people ready to start working tomorrow, there are so few of those that have desirable skills, that *employers need to curb their growth because there are not enough skilled workers to meet their demand*. Policymakers often cite the statistic that for every job opening there are five job seekers. What the study does not discuss, however, is whether those job seekers are *qualified*. Actually, for every one job created, there is less than one qualified jobseeker. This is why currently, despite the vast number of unemployed, there remain millions of job openings that need to be filled.<sup>11</sup> We have millions of people willing to work, but only a fraction actually suited to the needs of twenty-first century American businesses.

This idea is reinforced by the September 23, 2011 Wall Street Journal report that based on recent census data, jobs and wealth no longer cluster around places like Detroit and Cleveland that had large concentrations of capital and industry. Today, the education level of city residents and overall supply of higher-skilled laborers are the drivers of economic growth.

This does not imply that the unemployed have done something wrong. It simply means that as the global economy develops, many lower-skilled jobs have moved overseas. In addition, within the U.S. itself, yesterday's growth industries are today's stallers, replaced with new growth industries that require workers with new skill sets and talents, leaving many workers unable to compete in today's job market.

The crisis we face is the tragedy of under education. It is a mistake to focus our efforts on incentivizing employers to hire. What we ought to be focused on is getting our prized workforce back in shape.

Now, before we get to the solution, it is important to recognize that not only is perpetual extension of Unemployment Insurance (UI) benefits a misguided attempt at boosting employment, it actually hurts recipients' chances of re-employment.

**The problem with the UI approach:**

There is widespread agreement that the longer a person is unemployed, the harder it is for that individual to get a job.<sup>12</sup> After several months of being unemployed, skills atrophy, resumes become outdated, morale drops, and motivation dims. The worker becomes less and less qualified as time goes on. According to the DOL, a person in the first month of unemployment is more than three times as likely to find a job than someone unemployed for six months or more.<sup>13</sup>

By passing extension after extension of UI benefits, the government sends a message to the unemployed that they do not need to work anytime soon. If they don't find a job, we'll still support them. This leads the jobless straight into the mire of complacency, despair, and deterioration out of which many cannot climb. In short, our well-meaning UI spending is *contributing* to the pathetic decay of the vestiges of our once proud workforce, rather than restoring it.

Now that we have identified the cause of the unemployment crisis, as well as the problems with the current attempts at solving it, we are ready to introduce a design that will keep people from becoming long-term unemployed, while staying focused on the root cause of unemployment.

#### **The Solution:**

After an initial six months of receiving UI benefits, benefits should stop completely *unless* the unemployed individual enrolls in a government-sponsored, industry-driven training center. If the individual *does* enroll in a training center, the benefits will continue, but at half their prior amount. The other half will be used by the government to fund the individual's training.

This sends a message to jobseekers that they have six months to devote to finding a job. The impending drop-off in benefits will galvanize jobseekers to do their utmost during that period to obtain gainful employment.

This sends another message to those seeking employment: If you do not find a job, we will not forsake you. Your benefits will continue. What is more, we will take that money that would have come to you in the form of a check and use it to invest in you and your future. Rather than funding your continued decay, we will help you transform yourself from a worker with outdated 20<sup>th</sup> century skills to one with the competitive skills industries need today.

What exactly do I mean by 'industry-driven training centers'? Is there such a thing? How much does it cost to run?

Actually, the framework for this kind of arrangement already exists. The National Fund for Workforce Solutions (NFWS) is the national umbrella organization for many regional industry-driven training programs.

Here's how NFWS programs currently operate. Employers are brought together to identify mid-level talent gaps. Government and philanthropic funding support training centers that train these workers with targeted, focused set of skills to be directly placed in particular areas of the industry.<sup>14</sup> As the National Journal reports, the key to the success of the training centers is to teach skills that are in demand.<sup>15</sup>

This is extraordinarily efficient education in direct response to industry needs.

Instead of letting these workers sitting at home and atrophying, they will be using their minds and practicing the work ethic they have honed through years of faithful labor and transforming themselves into effective 21<sup>st</sup> century workers in the process.

NFWS has met with great success. Of the 18,000 unemployed individuals who enrolled in a NFWS training center last year, about twenty-five percent got jobs that paid an average of \$4 an hour more than their previous job.<sup>16</sup> Imagine, reducing unemployment and spurring growth at the same time. A comparable success rate at the national level would mean that a whopping 4 million people would get jobs next year. And twenty-five percent is only the average. One local program, SkillWorks in Boston, boasted a seventy percent re-employment rate just last year.<sup>17</sup> Can we ignore these results?

Not only does it work, but the cost of running such a program can be fully offset by the drop-off in UI payments. NFWS in 2010 raised \$100 million and was able to train 18,000 workers, at a cost of about \$5,000 per person.<sup>18</sup> By today's measure of federal unemployment outlay, unemployment insurance cost over \$10,000 per person (based on \$160 billion total outlay for 14 million unemployed) in 2010.<sup>19</sup> So by cutting the federal portion of UI in half, over \$5,000 per person will be freed up to cover the cost of training.

So the deficit will *not* be increased as a result of this proposal.

True, this proposal comes at the cost of lower payments to long-term unemployed. The money they do not receive will fund their training. But while it may be a loss in purely cash terms, their long-term human capital is increased far more than the extra cash would ever have accomplished. Maintaining a strong work ethic, preventing the slide into atrophy, transforming and developing new skills, and overall well-being, morale, and marketability are well worth the lower payments.

Something else to keep in mind is that the cost to the government will go down every year following implementation of this program, as total unemployment should fall dramatically with each passing year. If this were launched in January of 2012, by the end of 2015 unemployment would be at 5.15 percent, just above the five percent line considered by economists to be 'full employment.' Compare that with current economist predictions that barring any unforeseen changes to the system,

unemployment will hover around eight percent through 2015. How can we not take this seriously?

Now, this may sound bold and I understand many people may not be happy about the prospect of having the weekly UI checks they have grown accustomed to getting cut in half. But now is the time for bold action that will take us out of this crisis and transform us into a competitive 21<sup>st</sup> century economy. This proposal serves the multi-faceted function of putting the unemployed back to work, stemming the tide of long-term unemployment, and providing employers with the quality workers they need to grow.

Let us recognize this opportunity to save our future and to prove to the world and to ourselves that we have what it takes to overcome overwhelming adversity. By following our convictions even when that means making tough choices, we will reemerge with greater strength than ever before.

*Aaron Benjamin is a student at Georgetown University Law Center and can be reached at [ajb237@law.georgetown.edu](mailto:ajb237@law.georgetown.edu). From September to December 2011, he was an intern for the Committee on Ways and Means.*

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<sup>1</sup> Bureau of Labor Statistics, September 2011.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> Based on Federal Reserve Statistical Release, September 16, 2011.

<sup>5</sup> H.R. 3018, the CASH Act.

<sup>6</sup> Center on Budget and Policy Priorities (CBPP).

<sup>7</sup> WANTED Analytics.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> U.S. Census Bureau 2012 Statistical Abstract.

<sup>11</sup> Bureau of Labor Statistics, September 7, 2011.

<sup>12</sup> *Addressing Long-term Unemployment after the Great Recession: The Crucial Role of Workforce Training*, U.S. Congress Joint Economic Committee, August 2011; Hirsh and Johnson, *Desperately Seeking Skills*, National Journal July 28, 2011.

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<sup>13</sup> Rampell, Catherine, *Unemployed, and Likely to Stay That Way*, New York Times, December 2, 2010.

<sup>14</sup> Baran, Michon, Teegarden, Giordonno, Lodewick, *Second Annual National Evaluation Report*, National Fund for Workforce Solutions (NFWS), May 2010.

<sup>15</sup> National Journal, id.

<sup>16</sup> NFWS, id.

<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> CRS figure from Department of Labor, *UI Outlook*, January 2001 – February 2010, and updates.

**American 99ers Union, Statement**

Gregg S. Rosen, President

The American 99ers Union

220 Wyncoop Court

Holland, PA 18966

Phone: 202-579-9377

E-Mail: [contact@american99ersunion](mailto:contact@american99ersunion)

Note: All statements contained in this submission for the record are to be attributed to the American 99ers Union

**Assessing the President's Proposals to Help the Long-Term Unemployed**

As we collectively work toward rebuilding the American economy and getting Americans back to work, we must assure the financial security of all long-term unemployed Americans, until such time as the jobs return. It also must be acknowledged, that with so many out-of-work job-seekers and so few available openings, unemployed workers already face a tough job market. But when employers exclude qualified and job ready applicants based upon; credit scores, employment status and age, at a time when we as a country are still trying to gain some form of economic footing, having just exited the most severe economic downturn since the Great Depression, the job of finding a job becomes impossible.

To this end, the American 99ers Union offers into record, The Four Point Plan to a Fair Recovery Proposal. We strongly recommend these measures be considered and integrated into The American Jobs Act or into existing legislation where applicable.

- 1) According to the Department of Labor, in August 2011 (the most recent official data), 6.0 million individuals were classified as long-term unemployed. As President Obama continues to speak of creating jobs by building bridges throughout the country, the time is now to build a bridge that connects the "long-term unemployed", defined by the Department of Labor (DOL) as those individuals unemployed for 27 weeks or longer and who are guaranteed legislative support in this bill via the extension of unemployment insurance, to the estimated 7.0 million individuals who comprise the "longest-term unemployed", defined as those individuals who are unemployed and have exhausted all State and Federal unemployment insurance. These Americans have no legislative support in this bill, as relates to an extension of unemployment insurance.

No matter what side of the aisle, the question that is asked by both Republican and Democrat is, "Where are the jobs?" The data supplied by The Department of Labor (DOL) as relates to job separation and job creation dating from December of 2007, through to August 2011 (the most recent official data) would suggest that this is not a matter of "lazy Americans", but rather a "lazy job market". How are unemployed Americans supposed to afford the costs that are incurred when seeking employment, if they have been without any form of income, in most instances for over eighteen months?

On February 9<sup>th</sup> 2011 H.R. 589 was introduced. This bill would allow for an additional 14 weeks of extended unemployment insurance for all unemployed Americans. As is widely acknowledged, consumer spending accounts for 70% of all economic activity. The National average for an unemployment check is \$303.00 per week. Allowing those dollars to be invested back into the hands of the 7 million longest-term unemployed, as a country we recognize an immediate return of \$2,121,000,000.00 in economic spending each and every week. If we want to create jobs, we need to once again create demand. In August 2011 (the most recent official data) The National Federation of Independent Business (NFIB) has again reported, "Sales remain the largest problem for small firms." Couple this data, coming from small business owners across the country, along with the following data:

- The Non-Partisan Congressional Budget Office (CBO) determined on two separate occasions in 2010 the value of extending unemployment insurance. The most recent being on November 15, 2010, when in the CBO's Fiscal Policy Choices Report, it was stated that, "the single best way to help stimulate the economy and create jobs is to extend unemployment benefits."
- In the November 18th 2010 U.S. Congress Joint Economic Committee (JEC) Report, it was stated that, "extending unemployment insurance is one of the most powerful and effective tools we have for boosting economic growth."

There should be no question as to the need to include a provision providing for the addition of H.R. 589 in The American Jobs Act.

- 2) A provision must be included in The American Jobs Act, or an amendment need be added to The Fair Credit Reporting Act of 1970 (codified at 15 U.S.C. § 1681 et seq.) that would prohibit the use of most employee credit checks.

With the loss of a job and the ensuing loss of income in today's economy, difficult choices need be made as a matter of survival. This can translate into late payments; so long term unemployment can easily mean damaged credit. Should Americans be denied the ability to re-enter the workforce because they chose to pay a bill in 31 days, in order that they put food on their families table, or purchased lifesaving medication for their children?

- 3) A provision must be included in The American Jobs Act that would create tier based tax incentives for business hiring, as relates to the total time an applicant is unemployed through no fault of their own.

Under the President's plan, employers would get a special tax credit of up to \$4,000 for each unemployed person hired who has been out of work for 6 months or more. As previously addressed, this vague terminology creates an environment that allows for discrimination against the longest-term unemployed (those who have exhausted all State and Federal unemployment insurance). By offering graduated tax credits that would correspond to the length of time a new hire was out of work through no fault of their own, incentives would be in place that would create parity for all Americans seeking employment.

- 4) A provision must be included in The American Jobs Act that would create tier based tax incentives for business hiring, as relates to the age of prospective job applicants.

Under the President's plan, employers would get a special tax credit of up to \$4,000 for each unemployed person hired who has been out of work for 6 months or more. Once again, this vague terminology creates an environment that allows for age discrimination against the longest-term unemployed. By offering graduated tax credits that would correspond to the age of a new hire, incentives would be in place that would create parity for all Americans seeking employment.

Creating incentives for businesses to hire the "first waves" who lost their jobs through no fault of their own during the recession of 2007, is preferable than to see Americans who are already suffering, face possible discriminatory hiring practices. It should be assumed that Americans want to return to the workforce as soon as possible, not get involved in lengthy and fruitless legal battles relating to unfair hiring practices. Not at a time when the official estimate is that there are five applicants for every one job and the realities of homelessness and hunger have become the rule rather than the exception.

If both Republicans and Democrats truly want to see all of America's unemployed get back to work, regardless of how they feel this task is best accomplished; the aforementioned obstacles cannot be considered as a matter of debate and need be incorporated into The American Jobs Act to expedite the process of achieving full employment.

Respectfully,

The American 99ers Union



**TrueBlue, Statement**



**STATEMENT FOR THE RECORD**

**OF**

**JOANNA S. MONROE  
VICE PRESIDENT, DEPUTY GENERAL COUNSEL  
AND CHIEF COMPLIANCE OFFICER  
TRUEBLUE, INC.**

**FOR THE HEARING ON**

**“MOVING FROM UNEMPLOYMENT CHECKS TO PAYCHECKS:  
ASSESSING THE PRESIDENT’S PROPOSALS TO  
HELP THE LONG-TERM UNEMPLOYED”**

**BEFORE**

**THE U.S. HOUSE  
COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEE ON HUMAN RESOURCES**

**OCTOBER 6, 2011**

1015 A Street, Tacoma WA 98402  
253.383.9101 ▪ [jmonroe@trueblueinc.com](mailto:jmonroe@trueblueinc.com)

Chairman Davis, Ranking Member Doggett, and members of the House Ways and Means Human Resources Subcommittee, thank you for the opportunity to submit this statement for the record on behalf of TrueBlue, Inc. ("TrueBlue"). We applaud the Committee and Subcommittee for their attention and work on the critical issue of reducing unemployment.

Our nation continues to grapple with the stalled economic recovery and persistent unemployment. As reforms are considered to unemployment insurance, we strongly urge Congress to consider opportunities to expand temporary employment, which is critical to mitigating unemployment.

#### **TRUEBLUE**

TrueBlue is a leading supplier of temporary work. In 2010, TrueBlue connected approximately 300,000 people to work, paying nearly \$600 million in wages and serving nearly 150,000 businesses in the service, retail, wholesale, manufacturing, transportation, and construction industries. TrueBlue also employs 2,500 regular headquarter and branch staff.

TrueBlue provides temporary blue collar and skilled work through five lines of business: Labor Ready; Spartan Staffing; CLP Resources; Plane Techs; and Centerline. The TrueBlue family of companies is committed to providing individuals with opportunities for growth and customers with the help they need to succeed in today's competitive environment.

#### **TEMPORARY WORK**

Temporary employment plays a critical role in the economy by providing employment flexibility for workers and businesses. Temporary staffing firms employ more than 11 million people each year. These jobs offer millions of people the opportunity to work, particularly as the economy continues its fragile recovery.

Temporary employment is critical to mitigating unemployment, while offering a significant opportunity to find permanent employment through temporary jobs. Temporary employment also provides people with on-the-job training, allowing them to learn new skills and expand their knowledge base, which can be later transferred to other employers and strengthened.

At the same time, temporary employment provides businesses with the opportunity to support or supplement their workforce in various work situations, such as employee absences, skill shortages, seasonal workloads, and special assignments or projects. Moreover, in the current economy, temporary employment is leading the jobs recovery by allowing employers to gauge business and economic conditions before committing to permanent hires.

In TrueBlue's experience, the average tenure of a temporary employee is approximately one month per year. However, even if someone works for us for *one day*, that person is an employee of the company rather than an independent contractor. Employee status integrates workers into the U.S. economy, ensuring that they are eligible to work in the U.S., that all workers' compensation, unemployment, and income taxes – as well as any court-ordered garnishments – are withheld and collected, and that W-2s report income accurately.

## COMBINED COMPENSATION PROGRAM

### *Issue*

For many of the unemployed, temporary staffing agencies are an integral part of their job search. However, the current unemployment insurance system, in certain instances, creates a disincentive for individuals who receive unemployment insurance to work in a temporary job, which could serve as a working interview and possibly lead to permanent placement.

The following example provides an illustration. Let's say that an individual, who previously held a job as a carpenter, is now unemployed and receives \$350 per week in unemployment insurance. If she goes to a branch of a temporary staffing agency and applies as part of her required job search, she is often incentivized to turn down an offer for a temporary job because she is likely to lose her unemployment insurance and/or she may receive more money by collecting unemployment insurance. This keeps her from accepting a job that may teach her new skills or that could lead to an offer of permanent employment.

### *Proposal*

One option for addressing this issue is to establish a new "Combined Compensation Program" ("Program"). The Program would modify the incentive structure of the unemployment insurance system by encouraging individuals to accept temporary or seasonal employment while maintaining their eligibility to remain on unemployment.

Under the Program, an individual who accepted a temporary or seasonal job would continue to be eligible to receive unemployment insurance, but at a reduced rate. The reduced unemployment insurance payment would compensate the individual for the gap between their earnings and their standard unemployment insurance payments.

For example, assume that an individual accepted a temporary or seasonal job that paid \$325 per week. In order to compensate for her lower weekly earnings (she received \$350 on unemployment insurance), unemployment insurance would pay her a flat percentage of her standard unemployment insurance payment in order to compensate for the difference.

The Program would have a number of benefits. First, the unemployed individual is back at work. Second, businesses that need workers on a temporary basis have the flexibility to position themselves for growth or meet short-term demand. Third, the unemployment insurance program benefits because fewer unemployment insurance funds are expended when transitioning the unemployed to work the individual is working at least part of the time. Finally, the unemployed individual also wins because this job could teach her new skills for her next job or could turn into a permanent job with one of the businesses to which she is assigned by the temporary staffing company.

**CONCLUSION**

TrueBlue greatly appreciates the opportunity to submit this statement. As Congress considers policies and programs to assist our nation's unemployed, we strongly urge consideration of proposals similar to the Combined Compensation Program, which are a win for the unemployed individual, a win for the business, and a win for the government. We are happy to be a resource to Congress, the Committee, and the Subcommittee and we look forward to our continued work together on these issues.

